SOUTH AFRICAN INCOME DISTRIBUTION
1900 - 1980

Stephen Devereux

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INTRODUCTION

From the earliest statistical evidence in 1917 until 1970, South Africa maintained, perhaps, the most distorted distribution of income between individuals and race groups in the world. Yet since 1970 a sudden reversal of historical trends has occurred, resulting in substantial real increases in Black incomes and a significant reduction in South African inequality indices.

The tremendous inequality in South Africa's income distribution conflicted directly with theoretical and empirical predictions. According to the Kuznets U-curve hypothesis, inequality tends to increase in the early stages of development, but eventually levels out and begins to fall. This can be explained in terms of the 'typical' development pattern for developing countries.

Economic growth generally starts with the expansion of a narrow modern sector in a subsistence agrarian economy which raises income inequality substantially, particularly where expatriate exploitation of rich natural resources provides the motivating force for growth. A sharp dualistic growth prevails for some time and severe inequalities will persist as long as a traditional or expatriate/colonial elite dominates the nation's economy and politics. Eventually income disparities will start to even out, partly as a result of political independence and partly because the economy becomes more broadly based. The process of increasing income inequality usually peaks and is reversed relatively early in most countries' development paths.

The observation that South Africa has not moved along the Kuznets U-curve is due to a combination of economic, political and institutional factors which have effectively fixed South Africa in a transitional dualistic stage of development. This paper is concerned with analysing the factors relevant to South African income distribution from pre-1900 to the present.
CHAPTER 1

RACIAL INCOME DISTRIBUTION IN SOUTH AFRICA 1900 - 1970: INTRANSIGENT INEQUALITY

1. INTRODUCTION

South Africa suffers from a curious scarcity of information about the distribution of incomes among its inhabitants. No official statistics or even estimates of income shares by race or other groupings are published; in fact, until the 1980 census, government censuses and surveys specifically ignored the personal incomes of Blacks. All studies to date of income distribution in South Africa have been made by academics using various definitions, methodologies, data sources and assumptions. Until the 1970's, such studies were almost exclusively concerned with inter-racial income distribution, and not one accurate estimate of South Africa's Gini coefficient was produced until Simkins' in 1979.

These deficiencies are unfortunate, since if the distribution of personal incomes is accepted as 'the best available surrogate for the distribution of economic welfare' then South Africa has lost a great deal of potentially useful information 'about the spread of welfare in a given socio-economic system; changes in this spread over time; identifying the poor; estimating saving and consumption patterns,' and the level of socio-economic development at each point in time. According to Archer there is 'a remarkable paucity of systematic data by income interval, occupation, industrial activity, region or even race group itself, and therefore no direct method of identifying change or stasis in the structure of income historically'.

Although little work was done on South Africa's size distribution of income before 1970, miscellaneous estimates of income distribution by racial category have been produced at irregular intervals since Union in 1910.
2. STUDIES OF INTER-RACIAL INCOME DISTRIBUTION IN SOUTH AFRICA 1917 - 1970

The table overleaf collates most published studies on South Africa's racial income distribution up to 1970. Four features are immediately apparent from a cursory examination of the table:

1. Many definitions of income were used, most of them based on National Accounts statistics;
2. In spite of these definitional differences a remarkable consistency of racial shares is observed between most researchers;
3. The bulk of National Income accrues to Whites, with Africans receiving a significant (gross) amount and Coloureds and Asians earning very little;
4. The racial distribution of income in South Africa had remained virtually static for over 50 years.

The last of these four points is arguably the most interesting and controversial, and many explanations for constancy have been postulated. These will be discussed below. Before doing so, however, the other three features merit attention.

2.1 The Definition of Income

A most comprehensive definition of income was conceived by the 1955 Royal Commission on Taxation of Profits and Income, embracing all receipts which increase an individual's command over the use of society's scarce resources - in other words, his net "accretion of economic power between two points of time."
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All above 17-70 Mean of All Studies 72.9 5.1 1.9 20.1 27.1

Sources: 1,31 - Archer 1971, Table 5. 2-6,8-19, 21,24,26,28 - McGrath 1977 Tables 1,2 and 5. 7,22 - Adam, Heribert and Giliomee, Hermann, 1979: The rise and Crisis of Afrikaner Power. David Philip, Cape Town Table 4. 20,29 - Nattrass 1981, Table 2,Table 2, Table 2, Table 2. 23,25,30 - Theron Commission 1976, Table 3.1. 27 - Simkins 1979, p6.
In South Africa National Income includes all components of earnings received by the factors of production, namely wages and salaries, profits, interest and rents. Personal income is derived from National Income by deducting corporate savings, direct corporate taxation, and the income from property of the general government. To this is added the value of current transfers received from general government and current transfer payments from the rest of the world.

The South African Censuses of 1960 and 1970 used an income concept which included wages, dividends, rents, pensions, income in kind and the value of self-produced consumer goods, but which excluded capital gains, other windfalls, subsidies and transfers within families. Although this comes close to the 'ideal' concept of personal income, McGrath argues that the exclusion of 'certain items of income' such as employees' contributions to pension funds and imputed rents on owner occupied buildings may have a significant effect on Census results. A further problem is that Black incomes must be calculated as a residual of Total Personal Income, since Blacks are not asked about their incomes, so the value of non-primary subsistence production in the 'Reserves' is omitted. Finally, income surveys are notorious for their conservative results - respondents habitually understate their true earnings.

McGrath allowed for unspecified incomes and understatement, and he adjusted 1960 and 1970 Census data to generate income distributions 19 and 28 in Table 1. These are possibly the most accurate estimates for those two dates, and are compatible with other results for the same years.

National Accounts data, on the other hand, are highly aggregated into functional categories such as employee remuneration, property incomes, corporate savings and corporate taxes. Incomes are allocated indirectly to racial groups from these aggregated figures to determine racial shares. De Lange has criticised the Department of Statistics for publishing data that is frequently incomplete or inconsistent, for changing methods of data collection arbitrarily, and for being
secretive about processing techniques and accuracy estimates. Furthermore, 'in the national accounts no indications are given of racial breakdown for issues such as personal saving, taxation, consumption expenditure etc'.

Because of the infrequency of census data, the National Accounts were the prime source of income information for most researchers up to the 1960s. No common definition was agreed on, although Net National Income and Net Domestic Income were the two most popular concepts.

McGrath has standardised the studies of Thirtin, Retief and Stadler, which were all based on different National Accounting concepts of income, to 'an approximately common definition of personal income'. These adjustments are shown as lines 10, 13 and 15 in Table 1, and once again are not too dissimilar from the original results.

Nel's 1959 study is based on more liberal concepts than the National Accounts. It includes all non-commercial transactions in the Black subsistence economy, as well as a much wider definition of transfers to households than that included in Total Personal Income. McGrath's adjustment to the constant definition yields figures very close to his adjusted results of Stadler, 1960.

To conclude, in spite of frequent warnings about the uncomparability of unstandardised income studies, the diverse definitions of income used by researchers have apparently had little effect on their empirical results. National Accounts data and Census figures yield compatible results and McGrath's standardisation of various National Accounts interpretations generates only minor changes. Table 1 is not a set of consistent accurate data, but tentative trends may justifiably be deduced from its content.
2.2 The Internal Consistency of Racial Shares

The surprising compatibility of results derived from different definitions and methodologies has been discussed above. One potential source of confusion remains to be mentioned - the possibility of consistent bias among these studies. If all researchers are using the same systematically inaccurate sources of information - National Accounts or Censuses - then they might be prone to common over - or underestimation, irrespective of their definitions and statistical techniques.

McGrath, Spandau and others have probably done enough work on South Africa's inadequate income data to show that they are at least crudely accurate. Archer admits that the orders of magnitude concerned 'feel' right intuitively, and he also points out that 'The margins of error they contain would have to be enormous to upset the putative conclusion that South Africa .... has an extreme degree of skewness.'

2.3 The Disproportionate Racial Distribution of Incomes

The extent of personal income inequality in a society is only apparent when population figures are considered in conjunction with income distribution. If racial incomes shares remain constant but relative population shares shift over time, the effect on individuals is equivalent to a change in the racial income distribution. Hence the contention that racial income shares in South Africa have been constant since Union is rather misleading.

From Table 1 it seems that the White share of National Income has been greater than 70% at least since 1917, while the Black share has fluctuated between 18% and 23%. Between 1917 and 1970, however, the Whites as a proportion of total population declined from 21.6% to 17.8% while the proportion of Blacks rose from 67.9% to 70.0%. The maintenance of such a high White income share in the face of rapid Black population growth reflects the deepening rather than constant inequalities of South African society.
3. INTRANSIGENT INEQUALITY AND ITS EXPLANATION

3.1 Historical, Political and Ideological Factors Affecting Income Distribution in South Africa 1900 - 1970

3.1.1 Introduction

A number of theories have been applied to the South African situation in an attempt to explain the persistent skew in racial income distribution during the twentieth century. At most, each provides only a partial solution. An eclectic paradigm is necessary, one which incorporates the unique political, social and economic forces that combined to create and maintain the grossly unequal distribution of income in South Africa at least until the 1970s.

The following discussion is roughly chronological, and will be non-theoretical. The economic effects of historical processes will be analysed with specific reference to their impact on income distribution.
The first major consequence of the White conquest of Southern Africa was the massive dispossession by Whites of Black land. Towards the end of the nineteenth century, White agriculture had become the dominant economic activity in the Boer Republics, while population growth and lack of capital was squeezing the Black nation into a vicious circle of declining per capita product. However, some evidence suggests that isolated Black areas were competing successfully with White cash-crop farmers for the profitable agricultural markets provided by the rapid growth of mining camps and commercial centres.

Bundy, for instance, argues "that there was a substantially more positive response by African agriculturists to market opportunities than has usually been indicated; that an adapted form of the traditional subsistence methods provided for hundreds of thousands of Africans a preferable alternative to wage labour on White colonists' terms; that a smaller group of African farmers made considerable adaptations, departing entirely from the traditional agricultural economy, and competed most effectively with White farmers. In explaining the subsequent failure of this response and these adaptations, it is suggested that the crucial post-mineral period was one in which non-market forces predominated; in which discriminatory and coercive means were utilised by the wielders of economic and political power to disadvantage the African peasantry; and that an economy was created whose structure was such as to render "market forces" highly favourable to the White capitalist sector. The decline in productivity and profitability of African agriculture — and the corollary of greater dependence by Africans on wage labour — is in an important sense the outcome of the nature of capitalist development in South Africa."
This capitalist development began with the discovery of diamonds at Kimberley in 1867 and of gold on the Witswatersrand in 1886, which created a massive demand for cheap Black labour, and started a series of formal and informal policies designed to ensure a constant supply of such labour for as long as deemed necessary. Since this labour was preferably to be inexpensive, a 'carrot' inducement of high wages was impractical, so a 'stick' approach was adopted to drive Blacks off their land and down the mines. South African Blacks were further disadvantaged by being forced to compete with cheap foreign labour, which depressed mining wages considerably.

It was the coincidence of White agriculture and mining interests that led, shortly after Union in 1910, to the legalised implementation of the 'stick'in the form of the 1913 Land Act. Whether the Land Act was instigated by pressure from White farmers or from mining capitalists is unclear, but the results proved beneficial to both interest groups.

It may well be that the origins of high racial income differentials in South Africa can be traced to the initial development of the mining industry and the simultaneous expansion of White agriculture at the expense of Blacks. While the State attack on Black agriculture was not essential, Fisher, Schlemmer and Webster argue that without State intervention, 'the movement to the urban places of work would have been slower, much more restricted and would have created "market forces " which could have favoured higher wages for Africans. The presence of alternative forms of livelihood would have given African workers greater independence and bargaining power from the outset'.
During the 1920's, strangely enough, it was the Whites who suffered the 'culture shock' of South Africa's rapid industrialisation, not the Blacks. Rural population growth and the attractions of commerce led to large-scale urbanisation of Afrikaners, who were cut off from the English-controlled capitalist sector by the language barrier. The subsequent 'Poor White' problem persisted until the Second World War, although an exceptionally successful campaign was waged against it.

This campaign was headed by the Carnegie Commission of 1927 which identified the main cause of the 'Poor White' problem as 'Maladjustment to Changed Conditions', resulting from various accessibility barriers between the rural and urban sectors. The Commission recommended a broader system of State-subsidised education, including compulsory school attendance up to 15 years of age, and vocational guidance courses for rural children. Minimum wages for certain categories of unskilled work were also advocated and implemented, which effectively entrenched labour discrimination against unqualified Blacks. Racial discrimination in employment was further encouraged by the Commission's recommendation of job reservation in industry and its explicit support of the 'civilised labour' policy introduced by the Pact government in 1924, which advocated preferential employment of Whites in the public sector.  

With hindsight, it is easy to condemn the Carnegie Commission as just another brick in the wall of legislation constructed to deny Blacks access to the fruits of South Africa's economic prosperity, but it must be recognised that its proposals were valid attempts to alleviate a poverty crisis in the short term. The Commission was not directed specifically against Blacks; the job reservation recommendation, for example, carried the following proviso: 'A policy by reservation of work to the Europeans should be treated as merely a measure of transition for a period during which the poor White is given the opportunity to adapt himself to new conditions in South Africa.'
It is the failure of the authorities to remove these restrictions until the 1970's, restrictions which were suggested in the 1920's as temporary remedies only, that exacerbated the plight of Black workers unnecessarily and raised income differentials to artificial heights. One might conclude tentatively that the recommendations of the Carnegie Commission were instrumental in reducing the Poor White problem of the 1920's and '30's, but because they were never abolished as the Commission intended, they ultimately contributed to the 'poor Black' problem of the 1970's and '80's.

3.1.3 1930 - 1948

During this period several positive and negative forces combined to yield an ambiguous overall effect on income distribution. In 1936 two ominous signs for Blacks were the completion of the 1913 Land Act, which left Blacks owning only 13% of the country, and the Representation of Natives Act, which removed the last remaining Black South African voters from the common voter's roll. The 'Poor White' problem had not yet been resolved, so segregation and White protectionism became further entrenched in the 1930's.

On the other hand, the Smuts-Hertzog United Party government initiated many welfare and education policies which probably had positive distributive effects. Bromberger cites the following examples of the government's liberal attitudes during the 1940's: 'social pensions were extended to Blacks and Asians for the first time in 1944; the coverage of unemployment insurance (1937, 1942) was widened across industries and down the wage scale in 1946; and cost of living allowances (1941) had a distinctly progressive character, thereby reducing the wage differential between high- and low-paid work'.

Bromberger suggests that these trends may be explained by the economic boom after 1933, allowing generous State expenditure on welfare programs, and by the concomitant growth of the manufacturing industry, which possibly competed for Black labour on a wage or allowances basis. Another important influence was the Second World War, during which the economy experienced
a significant dependence on Blacks after the exodus of White males. At the same time, Black political movements were gaining momentum in South Africa, and the government evidently responded with economic appeasement rather than political concessions.

Black education also benefited from the decade of United Party liberalism. From 1940 to 1943 government grants and the percentage of Black tax revenue allocated to Black education were raised annually, and in 1945 a separate budget vote was created for 'Native education' unrelated to revenue collected from Black taxation. Bromberger notes, however: 'It is clear that in 1945 there was already opposition from within both main parties to progressive policies'.

The most vociferous opponents of 'progressive policies' were the Afrikaner element of the United Party coalition and the breakaway National Party led by Dr D.F. Malan. The National Party was the political platform of a powerful ideological movement which has subsequently been labelled Afrikaner nationalism. The incredible achievement of this Afrikaner mobilisation, which culminated in a Nationalist election victory in 1948, has been summarised by Heribert Adam in a single sentence; 'Such ethnic politicisation - of which racism, to be sure, was an important facet - culminated in a successful ethnic revolution; the disciplined rise of a defeated, impoverished people to political dominance, economic prominence, and cultural achievements in an unprecedented few decades.'

As Adam implies, the ethnic ethos and the racist policy of apartheid had both political and economic origins. No Sizwe postulates that the rise of Afrikaner nationalism was a deliberate reaction to the realisation that 'there was economic advantage to be gained from asserting a distinct political identity based on culture and language'.
Relegating (or elevating) the objective of ethnic identity from a political to an economic struggle, No Sizwe describes the post-Union period as one where the Afrikaans petty bourgeoisie attempted to mobilise the economic and political support of Afrikaner workers in order to promote the expansion of national capital.

Recognition of this economic dimension largely explains the rapid strengthening of Nationalist control in spite of its obviously unjust treatment of unenfranchised South Africans. Put simply, White self-interest has always prevailed over any moral misgivings voters may have. The election of 1948 gave the State a mandate for a return to high White living standards and security, with its necessary corollary of further Black repression and deprivation. Viewed in this pessimistic light, the ray of progress that shone during the 1930's and 1940's was nothing more than a deceptive digression from the inexorable South African reality of White domination, Black oppression and interracial inequality.

3.1.4 1948 - 1961

The early years of Nationalist government were undoubtedly years of regressive income distribution policies. Most United Party welfare programmes were dismantled or at least cut back, and economic barriers against Blacks were strengthened. Bromberger argues that 'regressiveness was apparent also in the insistence that White interests were paramount and were to be protected if necessary and promoted where possible by direct discrimination in law, administration and expenditure.'\textsuperscript{21} While not defensible on economic or equity grounds, this action is understandable and even politically rational. The National Party was elected by Whites, and its power base lay in the Afrikaner section of the White population. Now that all Blacks, Coloureds and Asians had been struck off the voter's roll, the government had little incentive to promote the interests of these groups, and in fact Afrikaner objectives were often pursued at their expense. Hence the grossly discriminatory practices of the Nationalist government can be regarded fundamentally as positive stimulants to Afrikaner business, and only incidentally
as directed against Blacks, though an element of racial prejudice may have aggravated the situation.

Some government measures, however, seem unnecessarily severe and provided no obvious benefits to any group of people. Bromberger lists the following examples of the government's 'tendency to restore or increase racial differentials and to reduce expenditure on selected black services.'

Firstly, unemployment insurance for Blacks was systematically restricted by raising eligibility requirements and depriving seasonal workers of coverage. Secondly, racial disparities in social pensions were increased. Thirdly, Black school feeding schemes were gradually phased out, and were virtually nonexistent by 1960. More importantly, Black education was neglected, especially after 1955, when financing reverted to the pre-1945 system. A Bantu Education Account was created and funded by a fixed sum of R13 million from the annual Budget, plus 80% of the general tax paid by Blacks. This policy led to declining state per capita expenditure on black education (in both real and nominal terms) and an increased financial burden on black parents.

The effects of these expenditure cutbacks were unambiguously negative, as was Nationalist labour legislation during the 1950's, which was designed to protect Whites by denying Blacks free competition on the labour market. Statutory job reservation favouring White semi-skilled workers was formalised and extended to many industries by 1960, and Black trade unions were discouraged by bans on Black strikes and the suppression of collective bargaining rights. Similarly, the Group Areas Act of 1950 restricted the access of Black traders to urban and suburban areas designated as White, which cut off many potentially profitable markets and inhibited the rise of a Black entrepreneurial class. The Group Areas Act was supported by streamlined pass laws in 1952, which aimed at controlling the Black Labour supply and artificially maintaining low unskilled wages by preventing Black urbanisation. Bromberger notes that these laws were distributionally regressive, since 'restrictions on exit from
agriculture were making more difficult a transfer from an essentially low-wage sector to the high-wage sectors.  

It is often claimed that the policies adopted by the Nationalist government were designed to retard the natural integration of classes and economic sectors that typically accompanies development, in order to maximise White profits. Kuznets predicted a development pattern including high income inequality caused by poor urban-rural linkages during early industrialisation, followed by gradual income equalisation as intersectoral barriers are eroded by market forces. In South Africa, it is argued, Black repression has been a means of perpetuating barriers and urban-rural incomes differentials, resulting in increasing concentration of wealth in the hands of the White capitalist class. Government policy, even before the Nationalist accession in 1948, has attempted 'to freeze the socio-economic structure ...... in a transitional dualistic phase'. The evidence of the 1950's points to an intensification of these efforts, after a temporary relaxation during the previous decade.

3.1.5. 1961 - 1970

The 1960's can be regarded as a watershed decade for racial income distribution in South Africa, if only because it preceded the dramatic turn-around of the 1970's. Substantial progress was made in race relations and the erosion of labour market barriers, both formally and informally, which would only be reflected in statistics for the following decade.

The preconditions for the progress of the 1960's were many and varied. One important factor was the growing Black unrest evident in the late 1950's, which culminated in Sharpeville probably the nadir of South African ethnic relations. This finally made the government aware of the high price of entrenched economic and political inequality in its multi-racial society. Besides, such extreme discrimination was no longer essential. The National Party was firmly ensconced on the throne of South African government, and it led the 'volk' to the zenith of its 'successful ethnic revolution' with the proclamation of a Republic in 1961.
Apart from these political forces, the economic climate was more conducive to increased State expenditure on Black interests than before. Gross Domestic Product grew at an average of 5.8% per annum during the 1960’s, the highest growth rate since the 1920’s, yielding higher tax revenues for redistributive purposes. Furthermore, the ideological objective of encouraging Afrikaner business had been satisfactorily achieved. By 1964, Afrikaners controlled an estimated 28% of commerce, up from 8% in 1939, and substantial progress had also been made in mining, finance and industry.

Government priorities probably broadened around this time from the defence of Afrikaner workers to national defence of White South Africa, so a period of tentative reform began.

Among the indicators of a changing State attitude were the expansion of subsidised local transport services for Blacks, and improvements in Coloured and Asian pensions as a percentage of White pensions. Per capita expenditure on Black education also started to rise after 1962, but greater hikes in White education spending ensured that the White/Black ratio widened further.

With regard to legislation few positive steps were taken, but it appears that the law became flexible and Blacks found the labour market more accessible than the statutory restrictions required. Bromberger believes that the progressive distributive impact of greater Black job mobility was minimised by White demands for higher wages as compensation. This is supported by Jill Nattrass’ finding that 'In the ten years between 1960 and 1970 modern sector average Black and average White real wage rates grew at almost the same pace, namely 3.9 percent and 3.7 percent per annum respectively.' Similarly Nattrass' calculation of identical racial income shares in 1960 and 1970 (White: 74%, Black 26% in both years) implies a distributionally neutral net effect of all labour and welfare policies of the 1960’s.

The most crucial negative influence on income distribution at that time was the ideological vision of separate development.
In a way, this policy of 'macro-segregation' is another argument for the artificially-prolonged dual economy hypothesis, although the objectives of the policy are ostensibly political rather than economic. Extended influx control and large-scale Black 'resettlement' built new barriers between rural and urban areas, and were distributionally regressive because Blacks were confined to 'Reserves' which had few employment opportunities or income-generating prospects. State efforts to promote 'border industries' were feeble and ineffectual, and in fact 'rural poverty was almost certainly exacerbated'.

To sum up, in Bromberger's phase, the 1960's showed distinct 'signs of a thaw'. Economic rationality had begun to assert itself in the marketplace, but was unfortunately hindered by political ideology. All in all, no significant progress was made in terms of wage gaps or income distribution. By 1969 the White/Black wage gap on the gold mines had peaked at 20,1:1, and when Simkins recorded a Gini coefficient for South Africa in 1970 of 0,71 he also noted that 'coefficients greater than these are not reported for any country in a quite comprehensive list published by the International Labour Organisation in 1973'. The Afrikaner ethnic revolution had left a heritage of inequality and injustice in its wake unlike anything statistics could measure anywhere else in the world.

3.2 Specific South African Theories

Many writers have produced theories specifically designed to explain income differentials in South Africa. The bulk of these writers have concentrated on discrimination as an explanatory variable, but some have argued that South Africa's growth and industrialisation was a prime cause of racial income differences. Although not unrelated, these theories will be discussed in three separate categories: Wage Discrimination, General Discrimination and Economic Growth.

3.2.1 Racial Wage Discrimination

In 1964 J.B. Knight completed 'A Theory of Income Distribution in South Africa', an eclectic theory embracing Classical, Keynesian and marginal productivity theories.
The Classical theory is relevant to this subject, since it comes closest to explaining interracial wage differences in the capitalist sector. Knight, following Lewis, 1954, divides the South African economy into a 'highly developed capitalist sector and an underemployed peasantry in subsistence agriculture, which provides an elastic supply of largely unskilled labour to the capitalist sector'.

Since the Whites hold a virtual monopoly of skills, 'it is appropriate for the purpose of analysing income distribution to divide the population into an unskilled black group which is under-employed, a fully-employed skilled white group, and a profit-receiving capitalist group'.

Now because the supply of unskilled Black Labour is perfectly elastic, the wage rate is unrelated to worker productivity, but 'may be determined by a conventional view of the minimum required for subsistence; or it may be equal to the average product per man in subsistence agriculture, plus a margin'.

White labour, on the other hand, is relatively skilled and relatively scarce. White wages are excessively higher than Black wages not just because of higher White productivity, but also because skilled Whites earn 'a monopoly rent accruing to a factor in highly inelastic supply'.

This analysis is interesting and comprehensive - Knight applies the Lewis 'unlimited labour' model to Black workers; marginal productivity theory to White workers; and an 'artificial scarcity rent' concept to explain the differences between the two.

In suggesting that a surplus supply of unskilled Black labour exists side by side in South Africa with a relatively scarce pool of skilled White labour, Knight is clearly describing a gross perversion of the typical dual sector pattern of development. In early development, according to Lewis, the capitalist sector is expected to grow rapidly, raising the share of profits in the national income as long as the phenomenon of 'surplus labour' persists. However, Lewis points out: 'The capitalist sector cannot
expand in these ways indefinitely, since capital accumulation can proceed faster than population can grow. When the surplus is exhausted, wages begin to rise above the subsistence level. This is the first step in the erosion of the barriers between the two sectors.

In South Africa, influx control and other labour rationing mechanisms previously discussed, combined with an unnecessarily large employment of foreign migrant workers, have enabled the capitalist sector to grow extremely fast without raising Black wages substantially. Commenting on the consistency of racial income shares from 1917 to 1970, Jill Nattrass wrote: 'The persistence of an income distribution of this nature over time means that the bulk of the purchasing power generated during the economic growth of the past century has accumulated in the hands of the White members of the community'.

Instead of eliminating racial barriers and integrating the labour force, economic growth, supported by government actions, has benefited the Whites almost exclusively, with Blacks earning hardly any of the wealth for their efforts. According to Knight and McGrath: 'Within the institutional and political framework which keeps Black labour unskilled and plentiful and White labour skilled and scarce, the market mechanism acts as a malevolent Invisible Hand to produce increasing racial inequality'. In other words, the initial period of rising income inequality postulated by the Kuznet's U-Curve has been artificially extended in South Africa by structural restrictions on free exchange in the labour market.
Most of these constraints have been mentioned earlier, but Knight adds some interesting observations. In some occupations, a 'rate for the job' was enforced until fairly recently. This meant that Black workers could not undercut by offering to work at lower wages than Whites, so that 'the official prejudices of employers and the better training of White workers together ensure that White labour is preferred to Black'. Another point is that White workers were unionised when Blacks were not, so that Blacks had very little bargaining power while Whites, holding a monopoly in most skills, could agitate successfully for higher wages. Knight concludes that 'the white wage rate is simultaneously a rent secured from the monopoly of skills and a reward for higher productivity at the margin', and that 'the equalisation of income in South Africa cannot proceed very far without a change in the socio-political situation responsible for the unequal distribution of land and skills'. 
While Knight's 1964 article was highly original and probably valid when it first appeared, the theory is now something of an historical oddity. Even at the time, Knight's stringent demarcation of the labour force into two separate factors of production - skilled labour, entirely White, and unskilled labour, entirely Black - was rather artificial. With the progress of the late 1960's and early 1970's, these generalisations rapidly lost any justification they might once have had.

An impressively comprehensive treatment of relevant issues and up-to-date theories is provided by Knight and McGrath's 1977 paper, 'An Analysis of Racial Wage Discrimination in South Africa'. The authors argue that wage discrimination can explain at most up to half of the disparities in racial per capita income in South Africa. They then examine wage data and labour legislation in terms of various theoretical frameworks, and conclude by accepting modern market segmentation explanations.

Knight and McGrath believe that the origins of high racial wage gaps are to be found in the 'enormous racial differences in occupational structure'42 evident in South Africa. Whites were found to dominate the managerial, executive, professional and technical categories, while Blacks, Coloureds and Asians filled the semi-skilled, low clerical and labourer positions. This observation is consistent with Knight's 1964 assumption that Whites are typically skilled and Blacks are unskilled, although such a generalisation is obviously extreme.

Three aspects of labour market segmentation theories were used to explain this abnormal occupational structure: 'job competition', 'internal labour markets' and 'crowding'.

The job competition concept is an eclectic approach drawing on neo-classical marginal productivity theory, theories of discrimination and human capital theory. In this model employers are assumed to screen job applicants according to background
characteristics such as education, race and sex, and to attach an economic value to these characteristics that determines the order of applicants in the queue. This discrimination is not based on racial or sexual prejudice, but on expected training costs and productivities: 'lacking direct information on training costs for specific workers, employers rank workers in accordance with their background characteristics, which they use as indirect indicators of the costs necessary to produce the standard work performance.'

Racial job discrimination in South Africa is explained by the collective action of White workers, supported by government, to ensure that they receive preference in the queue for the preferred jobs. Legislated job reservation and minimum wage policies are two examples of measures which encourage racial discrimination by employers. While job reservation is overt enforced discrimination, minimum wage legislation is more subtle; low productivity (Black) workers tend to be excluded in favour of higher-productivity (White) workers, with the level of minimum wage determining how many low-productivity workers are cut off from employment opportunities.

Knight and McGrath accept the relevance of the job competition theory without noting the obvious contradiction in the South African application. The theory predicts that employers discriminate against Blacks because they perceive Blacks as being more costly to train than Whites; they believe that Whites are usually better educated, have broader general skills are good promotion prospects or are preferable in other ways. If this is so, Whites would automatically be employed before Blacks, and supportive legislation would be redundant. The legal enforcement of job discrimination implies either that the theory is irrelevant in South Africa, or that the basis for racial discrimination may erode over time, so that legislation was enacted to entrench preferential employment practices in anticipation of this possibility.
The second concept discussed by Knight and McGrath is that of 'internal labour markets', described as a method of regulating job competition. An internal labour market discriminates for and against worker groups by establishing wage and employment practice norms in specific industries which are negotiated between powerful labour groups and employers. It is argued that White unions and traditional industrial arrangements have established strong internal labour markets in many industries which are dominated by Whites who consciously strive to exclude Blacks. This is more than a matter of blind prejudice, although the perceived loss of status from having a Black superior may be a real issue. More importantly, White workers are afraid of reduced wage levels or even of losing their jobs if Blacks flood the skilled labour market.

The third and last segmentation concept, 'crowding' is also the most fruitful, according to Knight and McGrath. Crowding is related to both the job competition and internal labour market models, in that it explains how one group can monopolise certain jobs and crowd other worker groups into different job categories. Once again, union power and government legislation enables Whites to monopolise the high-skill and also, in South Africa, public sector occupations, restricting access and competition from Blacks.

Knight and McGrath extend the crowding concept from occupational discrimination to racial wage discrimination in the public sector, 'where for many years it has been the enshrined principle.' The public sector has traditionally provided job security and moderate incomes for the unskilled minority of Whites who could command only very low pay in the private sector. In addition, the state is virtually a monopsonist (monopoly employer) of Blacks qualified as teachers, nurses and low-ranking administrators. This allows the government to discriminate on pay as well as on occupation, and in fact 'a three tier salary structure, applying in descending order to Whites, Asians and Coloureds, and Africans is found over a broad spectrum of skills.'
After tabulating racial wages for comparable occupations, Knight and McGrath observe that Black wages are relatively and absolutely lowest in low-skill jobs such as primary school teacher or police constable. On the other hand, Black University professors earn 92% of the pay of White professors. Hence it appears that 'wage discrimination is reduced as the level of education required in a post increases'.

Such discrimination is made possible by the artificial division of occupational labour markets in South Africa. Black nurses, teachers and doctors do not serve Whites, both by custom and by law, so they cannot compete with Whites of similar training. Declining discrimination in high skill jobs is explained by the greater range of options available to more educated Blacks. Knight and McGrath argue that 'the degree of racial wage discrimination is likely to reflect the extent of racial differences in transfer earnings.' They explain the reduced wage discrimination in higher public sector posts as due to the greater opportunities outside the public sector.

Kantor and Rees add an international dimension to this scenario. Addressing the question 'Is White Labour Overvalued?' they point out that skilled workers are highly mobile (and have high transfer earnings). The constant migration of skilled workers to and from South Africa implies that local salaries are internationally competitive since 'If South African skilled wages were not competitive, the traffic would be overwhelmingly outwards'. The argument applies equally to skilled Blacks, who earn up to five times the pay of low-skilled public sector Blacks.

Knight and McGrath conclude that Whites are sheltered in the labour market on all fronts by legislation like job reservation, by preferential public sector employment, by powerful trade unions, and by employer prejudices. Blacks are crowded into unattractive jobs for which the demand is limited in relation to supply, thus allowing Lewis-type wage discrimination (because of the 'unlimited labour' effect). Overt wage discrimination is found mainly in the public sector, where it is explained by low Black transfer earnings.
and restraints on labour competition. However, job discrimination is a major cause of excessive wage gaps between occupations. 'By preventing wage discrimination within an occupation, White workers achieve occupational discrimination and hence the possibility of wage discrimination between occupations .... If Blacks are assigned to jobs with lower productivity and pay than their education and ability warrant, that is wage discrimination no less for being disguised'.

The point is that job discrimination is as insidious a form of entrenching income inequality as racial wage discrimination, although its effects are more difficult to detect and quantify.

3.2.2. General Discrimination

Wage and job discrimination are two important elements of South African income inequality but several other factors are equally important. Discrimination exists in areas outside the labour market, which also affects racial income shares and welfare levels.

Nattrass points out that welfare derives from political and economic power, and she has drawn up an illuminating list of relevant indicators for 1960, 1970 and 1977. The table reveals a total concentration of political power in the hands of the White group - 100% control of Parliamentary seats - but a rising Black power potential as their share of the total workforce, of public sector employment and of matriculants increases: (see Table 2 overleaf)

This is significant because it implies greater bargaining power for Blacks, and ultimately represents a platform for a degree of political participation. Only when the State recognises Blacks either as constituents or as a real threat to White security will it implement serious attempts to raise Black wages and welfare.

There are many reasons why income is an inadequate proxy for welfare particularly in South Africa, and there is also evidence that income disparities are merely symptoms of discrimination at a deeper level. Some of these issues will be discussed briefly, but only to the extent that they affect the distribution of income, which is the primary concern of this paper.
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<th>NATURE OF INDICATOR</th>
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<td>Share of Public Sector Jobs</td>
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<td>Share of Industrial Jobs</td>
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<td>Percentage of Top Jobs</td>
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<td>Percentage of Economically Active Population</td>
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<td>18</td>
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<td>Percentage of Matriculation Passes</td>
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A crucial point to bear in mind is that wages do not reflect different working conditions and environmental features of the various race groups. Archer notes: 'Given the structural divisions of the labour market, two workers of equivalent capability can earn identical money wages in work periods that vary by 25% or more if they are of different races.' Even if hourly wage rates were equalised, influx control ensures that Blacks spend much more time and money than urban Whites, Coloureds and Asians in travelling to and from work. This expense is rarely incorporated in Black wages.

A similar accusation can be levelled at employers of migrant labourers. The migrant system is based on the premise, in Francis Wilson's words 'that a human being can be broken into two parts: a "labour unit" working in town, separated from the other part - a man with parents and wife and children, with hopes and aspirations.' This unnatural separation has historically been destructive of Black social life. Colin Murray has found evidence of a high incidence of conjugal instability, illegitimacy, marital breakdowns and general emotional misery, in a study of migrant communities in Botswana and Lesotho. In no way are Black migrants compensated for the inconvenience and personal hardship they endure under these harsh conditions.

Discrimination is also apparent in the distribution of social or public goods. Whether Whites benefit disproportionately from the provision of law and order services, national defence and local administration expenditure is debatable. Certainly the higher crime rate among Blacks indicates poorer policing and a less favourable living environment than most White areas, and the pending electrification of Soweto, for example, should raise living standards and reduce the crime rate.

Health and education are two types of government services where racial disparities are easily discerned. Though not directly related to incomes, poor health and low wages may have mutually reinforcing negative effects.
Available data is sketchy but most indicators point to vast differences in the health of the four major race groups in South Africa. In 1960, the incidence of tuberculosis per 1000 of population was 39.6 for Whites, 525.7 for Coloureds (52%), 187.3 for Asians and 325.1 for Blacks. By 1974 White incidence was down to 18.1, Coloureds down to 327.7, Asians to 143.0 and Blacks to 285.2. Infant mortality rates are not known for Blacks, but in 1974 the figure per 1000 population was 18.4 for Whites, 115.6 for Coloureds and 32.0 for Asians. A comparative study has revealed that Black infant mortality is probably higher than the Coloured rate — which is itself more than six times the White figure. The supply of health facilities for Blacks is correspondingly deficient. In 1972 there were 10 hospital beds per 1000 of White population. The figures for Blacks in South Africa was 5.57, and in the homelands it was 3.48.

A final health statistic of interest is racial life expectancies. Since these figures were first published in 1946, the life expectancy of Black males has risen considerably, but is still far below the White rate. Over the period 1946 to 1975, the average life of White males was extended by only a few months, from 64.57 to 65.08 years. Black males, on the other hand, gained eleven years, from 40.97 to 52.05 years. Coloured expectancy rose from 44.78 to 50.54 and Asians from 54.87 to 60.32.

Kantor and Rees postulate a direct link between income distribution and the age distribution of the population: 'Incomes rise with number of years spent working. If whites are on average older than Blacks and have accordingly spent a longer period at work, this would account for part of the observed racial income differences.' This is an 'experience accumulation' rather than an 'asset accumulation' argument. Workers far along a career path will earn more than a new recruit, and the large numbers of Blacks entering the economy each year serve to depress average Black wages in each sector accordingly.

A related point is that if Whites have a longer working life they also have greater opportunity to accumulate assets which generate non-wage income (dividend-yielding shares and savings, for example) or can be transferred to children after death (the family home and other
This is one explanation of inter-generation racial concentrations of property and capital. Spandau found that South African Whites have received more than half their total income from non-work sources at least since 1946. The corresponding figure for Blacks was less than 10% up to 1960. Unfortunately no calculations have been made for recent years, but it is possible that rising Black life expectancy has raised Black average incomes, pensions received and accumulated assets. Certainly Black contributions to pension schemes rose dramatically in the 1970's.

State spending on education has been covered earlier in this paper, so will be embellished with only a few more statistics and observations. In 1973 State spending on education totalled R97m, but per capita spending on Whites was R387 in the Transvaal and R557 in Natal, while the average for Black pupils was only R29. The 1970 census revealed that over 90% of urban Black males had not completed a primary school education, probably because Black teachers are generally underqualified and over-utilised. As recently as 1976, 84% of Black school teachers had a junior certificate or less, and only 11% had passed standard 10. In 1980 the pupil-teacher ratio averaged 18.7 in White schools and 45.9 in Black schools.

Perhaps these appalling statistics can be related to our preceding analysis. As has been shown, high incomes and living standards for Whites have historically been maintained by preferential employment policies supported by Black-repressive government legislation. Wage discrimination has been facilitated by job discrimination, which is achieved by White monopolisation of skills—which in turn may be ensured by White monopolisation of high-quality education. Perhaps State neglect of Black education in the past reflects more than careless indifference; it may well have been a planned component of the system which guaranteed cheap, unskilled Black labour to White industry, agriculture and the mines. Referring in particular to training, Francis Wilson touches on this issue when he argues that 'In the South African context, we may criticise the education and training available both on the grounds that it restricts output, as people are not all properly equipped to do the jobs they are doing, and also that it effectively prevents large numbers of individuals entering cells into which they would surely flow if they could have had the necessary training'. Discrimination in education
and training is yet another means of restricting Black access to high-income employment, a method that has been so obviously successful that skills shortages are beginning to be felt in certain sectors of the economy.

To conclude, State spending on public goods is an important determinant of welfare and income distribution. Discriminating against certain groups in the provision of public goods and services may create impenetrable barriers and restrict the earnings potential of the affected groups. Chenery and Ahluwalia make the following implicit recommendation which might refer to the situation of Blacks in South Africa: 'If income in the poorer groups is constrained by lack of physical and human capital and access to infrastructure, then reallocation of public resources can provide a powerful mechanism for removing these constraints.' This advice should be heeded.

3.2.3. Industrial Structure

Many economists believe that the nature of industrial growth has been a contributory cause of high income inequality in South Africa. This contention is not unrelated to theories already discussed which focus on White-supportive discrimination as the principal explanatory variable. Brian Levy, for example, argues that 'discrimination has been accompanied by, and has helped shape, an industrial structure oriented towards the economic advancement of the country's White population'.

Comparing South Africa to Korea and Brazil, Levy concludes that the South African economy is unusually capital intensive, and that there are political as well as economic reasons for this orientation. The popular economic argument is that South Africa's rich resource endowment has generated capital-intensive industries, in spite of abundant supplies of cheap employable labour. Levy provides evidence that the economic explanation is inadequate, however, and that government policies have consistently supported capital-intensive sectors of manufacturing. He sums up the rationale behind these policies succinctly:
'Three complementary pressures lie at the heart of South Africa's twentieth century political economy - the efforts of a nationalistic elite to establish a domestic industrial base independent of the colonial mining elite, the efforts of White workers to obtain protected, high-wage employment, and the efforts of various governments to restrict the migration of Blacks into urban industrial areas. The promotion of capital-intensive sectors of industry furthered all three of these goals.'

A similar argument is followed by Archer, who believes that government has tended to invest in projects which increase national ownership or control instead of maximising social income and by tariffs, subsidies and other instruments which stimulate local production and provide high-income jobs for the White middle class. The objective of economic growth has been pursued blindly, not necessarily to increase employment, but primarily to generate high rates of profit, to be divided among foreign capital, domestic capital and White Labour, in order 'to force the pace of accumulation'.

Further support for this view is provided by Spandau, who observes that profits and wages are competing elements on the firm's balance sheet, and that therefore: 'In periods of financial stringency, it is the Non-Whites who, by virtue of their weaker bargaining power, have to bear the brunt of financial capital accumulation. This is reflected in the widening of racial wage differentials during periods of rapid growth.'

Not suprisingly, perhaps, these arguments are closely linked to other theories of preferential White employment and income policies. A highly capital-intensive modern sector pays high wages to its skilled operators, and has a relatively low demand for unskilled labour, so that earnings in the 'subsistence' sector are not driven up in the predicted classical (Lewis model) sense. As long as White population growth is absorbed by the growing capital-intensive sector, the artificial dualism of the South African economy is perpetuated.
Only recently have the problems associated with capital-intensity specifically greater unemployment and inequality, been recognised by the government. The Ninth Economic Development Programme deplores the 1970's trend to capital deepening, and urges the promotion of labour-intensive industries in order to avert a major unemployment crisis. The reversal in government attitudes from specifically White-supportive to policies favouring Black advancement, can best be described as pragmatic. In recent years, as will be seen, it became no longer morally or practically feasible to promote White interests by means of legislation which denied income opportunities and other basic rights to the growing Black majority.

3.3 Conclusion

The only plausible conclusion to be reached from the discussion is that no single theory can account for the uniquely distorted development of South Africa's income distribution. Notwithstanding their limited relevance however, elements of various approaches could perhaps be combined to provide a fairly comprehensive description of the South African environment which produced this distorted distribution.

A specifically South African model might tentatively be constructed from the following sources:

1. The modern Classical Lewis model of dual sector development, as an analytical foundation, augmented by
2. Neo-Classical marginal productivity theory, with
3. Racial Discrimination theory, as proposed by Becker and adapted by Knight and McGrath, to allow for interracial productivity and wage differences, and finally
4. Local Political and Institutional constraints to explain entrenched, rather than eroding, racial barriers and income differences over time.

The Marxist class struggle has not yet been discussed, but a Marxist analysis also has relevance, and will receive attention towards the end of this paper.
CHAPTER TWO

THE 1970's : A TREND TO EQUALITY?

1. INTRODUCTION

The 1970s was in many ways a dramatic decade for South Africa, not least in terms of the subject of interest, racial and size distribution of income. What Magubane describes as 'the elaborately worked out racist structures that dominated the region for more than a century, producing immense profits at the expense of the Black masses', finally seemed to be crumbling in the face of mounting internal and external pressure for meaningful reform. The general consensus is that these pressures also had positive effects on the distribution of income in South Africa.

This section will review the nature and extent of distributional changes in the '70's, as well as attempt to identify the real reasons behind the progress achieved. Much criticism has recently been published regarding the actual magnitudes and even the direction of change - some commentators claiming that the 1970's was a distributionally regressive decade, in fact. These arguments will also be discussed and assessed.

2. EVIDENCE OF DECLINING INEQUALITY

Statistical evidence produced since 1970 largely supports the hypothesis of substantial income redistribution from White to Non-White groups, as well as, ipso facto, from rich to poor deciles. Overleaf is a table, similar to Table 1, collating the results of several racial and personal income distribution studies undertaken during the 1970's. Though the figures are more erratic than those of the earlier studies, the direction of change is obviously positive - decreasing inequality is indicated in both types of distribution over the decade.
Charles Simkins' study is arguably the 'best' technically, and he records a 6% drop in the White share of personal income in 1970 - 76, the most significant distributional shift this century. Extending this analysis to 1980 yields a 10,2% drop in White share over the decade, from 71,7% in 1970 to 61,5% in 1980 (see Appendix). Blacks gained most from the White reduction, jumping from 19,8% in 1970 to 25,1% in 1976 (Simkins) and then up to 29,0% in 1980.

Comparable trends are observed in the size distribution of South African income during the 1970's. The top 20% of income earners received 77% of national remuneration in 1970 but only 71% in 1976 and only 61% in 1980. (see Appendix) South Africa's Gini Coefficient also fell, from an embarrassingly high 0,71 in 1971 to 0,65 in 1976, and quite dramatically to 0,57 in 1980.

This evidence of declining inter-racial and interpersonal income inequality was accompanied by, and was largely caused by significant annual reductions in racial wage gaps and unprecedented rises in real Black earnings in all sectors outside agriculture. The Bureau of Economic Research estimated that real average Black earnings rose by 56% between 1971 and 1979. Over the same period, also adjusting for inflation, average White earnings actually declined by 5%. The omission of agriculture, however, may exert some upward pressure on recorded Black earnings figures.

This implies that the gains in Black wages were partly 'subsidised' by falling White living standards, which in itself has had important economic and political consequences. Many factors contributed to the situation outlined above, and some tentative explanations have already been advanced by academics. These can be broadly divided into two categories: Firstly, the general abstract theories such as the 'international wage explosion' and the 'liberal reformist' hypotheses, and secondly the detailed sectoral analyses of the economic, social and political impetus for change in the 1970's.
### TABLE 3: RACIAL INCOME DISTRIBUTION IN THE 1970's

<table>
<thead>
<tr>
<th>RESEARCHER</th>
<th>YEAR</th>
<th>INCOME CONCEPT</th>
<th>RACIAL % SHARES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>White</td>
</tr>
<tr>
<td>1. Simkins</td>
<td>1970</td>
<td>Personal Income</td>
<td>71.7</td>
</tr>
<tr>
<td>2. McGrath</td>
<td>1970</td>
<td>Census Income</td>
<td>71.2</td>
</tr>
<tr>
<td>3. Nattrass</td>
<td>1970</td>
<td>Net National Income</td>
<td>74.0</td>
</tr>
<tr>
<td>4. Bureau of Market</td>
<td>1970</td>
<td>Personal Income</td>
<td>69.2</td>
</tr>
<tr>
<td>5. Sanlam</td>
<td>1970</td>
<td>Private Consumption Spending</td>
<td>73.7</td>
</tr>
<tr>
<td>6. Senbank</td>
<td>1973</td>
<td>Disposable Personal Income</td>
<td>73.9</td>
</tr>
<tr>
<td>7. Nattrass</td>
<td>1973</td>
<td>Net National Income</td>
<td>70.8</td>
</tr>
<tr>
<td>8. Nattrass</td>
<td>1975</td>
<td>Net National Income</td>
<td>68.0</td>
</tr>
<tr>
<td>9. Market Research Africa</td>
<td>1975</td>
<td>Net National Income</td>
<td>67.0</td>
</tr>
<tr>
<td>10. Bureau of Market</td>
<td>1975</td>
<td>Personal Income</td>
<td>64.9</td>
</tr>
<tr>
<td>11. Simkins</td>
<td>1976</td>
<td>Personal Income</td>
<td>65.7</td>
</tr>
<tr>
<td>12. Terreblanche</td>
<td>1976</td>
<td>Personal Income</td>
<td>63.0</td>
</tr>
<tr>
<td>13. Bureau of Market</td>
<td>1980</td>
<td>Personal Income</td>
<td>60.1</td>
</tr>
<tr>
<td>14. Devereux</td>
<td>1980</td>
<td>Personal Income</td>
<td>61.5</td>
</tr>
</tbody>
</table>

**Sources:**

1, 11 Simkins 1979, p6
2 McGrath 1977, Table 5
3, 8 Nattrass 1981, Table 2.2
4, 10, 13 Theron Commission 1976 Table 3.1
(1980 figures are projected)
5 Archer 1971, Table 5
6 Financial Mail, 21 February 1975: No Time to Lose, p602
7 Nattrass 1977, p409 (Non-White shares have been extrapolated from Nattrass' 1970 and 1975 estimates).
9 Financial Mail, 6 May 1977: Competing for the Cake, p446.
12 Adam and Giliomee 1979 Table 4.
14 See Appendix 1.
TABLE 4: SIZE DISTRIBUTION OF INCOME IN THE 1970's

<table>
<thead>
<tr>
<th>RESEARCHER</th>
<th>YEAR</th>
<th>BOTTOM 80%</th>
<th>BOTTOM 40%</th>
<th>NEXT 20%</th>
<th>NEXT 20%</th>
<th>TOP 20%</th>
</tr>
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<tbody>
<tr>
<td>1. Simkins</td>
<td>1970</td>
<td>22.97</td>
<td>3.85</td>
<td>6.71</td>
<td>12.41</td>
<td>77.03</td>
</tr>
<tr>
<td>2. McGrath</td>
<td>1970</td>
<td>26.0</td>
<td></td>
<td></td>
<td></td>
<td>74.0</td>
</tr>
<tr>
<td>3. Archer</td>
<td>1971</td>
<td>25.0</td>
<td></td>
<td></td>
<td></td>
<td>75.0</td>
</tr>
<tr>
<td>5. Devereux</td>
<td>1980</td>
<td>39.45</td>
<td>7.62</td>
<td>11.75</td>
<td>20.08</td>
<td>60.55</td>
</tr>
</tbody>
</table>

Sources:
1,4 Simkins 1979 p8
2 McGrath 1978, p160
3 Archer 1979, p93
5 See Appendix 2
### TABLE 5: NOMINAL AND REAL ANNUAL EARNINGS 1971 - 1979

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
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<th></th>
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<th></th>
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</thead>
<tbody>
<tr>
<td><strong>WHITES</strong></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average Earnings (R)</td>
<td>3572</td>
<td>3797</td>
<td>4180</td>
<td>4767</td>
<td>5377</td>
<td>5876</td>
<td>6396</td>
<td>6978</td>
<td>7860</td>
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<tr>
<td>Real Earnings (R)</td>
<td>3366</td>
<td>3360</td>
<td>3379</td>
<td>3452</td>
<td>3431</td>
<td>3368</td>
<td>3299</td>
<td>3245</td>
<td>3210</td>
</tr>
<tr>
<td>Change in Real Earnings (%)</td>
<td>+3.8</td>
<td>-0.2</td>
<td>+0.6</td>
<td>+2.1</td>
<td>-0.6</td>
<td>-1.9</td>
<td>-2.0</td>
<td>-1.6</td>
<td>-1.1</td>
</tr>
<tr>
<td><strong>BLACKS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average Earnings (R)</td>
<td>518</td>
<td>577</td>
<td>686</td>
<td>861</td>
<td>1095</td>
<td>1269</td>
<td>1452</td>
<td>1613</td>
<td>1884</td>
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<tr>
<td>Real Earnings (R)</td>
<td>410</td>
<td>512</td>
<td>550</td>
<td>613</td>
<td>685</td>
<td>720</td>
<td>742</td>
<td>748</td>
<td>763</td>
</tr>
<tr>
<td>Change in Real Earnings (%)</td>
<td>+3.0</td>
<td>+4.5</td>
<td>+7.4</td>
<td>+11.5</td>
<td>+11.7</td>
<td>+5.1</td>
<td>+3.1</td>
<td>+0.8</td>
<td>+2.0</td>
</tr>
</tbody>
</table>

**Source:**


Figures exclude agriculture, private services, and earnings in kind.
2.1 Abstract Explanations

The observation that South Africa has an artificially maintained surplus of unskilled labour and a scarcity of skilled labour was the subject of a debate between two ideological schools in the 1970's. The conventional school argued that racial prejudice is economically irrational and disappears with socio-economic development. In a market economic, resources should be used optimally, so personal prejudice and institutionalised apartheid are barriers that conflict with the logic of the market. Skills shortages occur and economic growth is retarded, so in the long run it is in White interests to allow Blacks free labour market access.

Contradicting this argument is the revisionist thesis, a broadly Marxist approach which claims that White domination is 'rational' because it ensures White prosperity. South Africa is not a market economy, but is a 'labour repressive' economy ..., in which the rapid accumulation of capital and the high standard of living of the White working class is made possible by the political machinery of repression which assures the continued subservience of the Black workers. As recently as 1971, Trapido argued that the repression of labour in South Africa would continue indefinitely and that the homelands policy and border industries encouragement were yet further measures of entrenching repression that favoured Whites at the expense of Blacks: 'These activities will ensure that Afrikaner areas acquire an increased share of the national income. Their effect upon the African worker will be to depress wages'. With hindsight Trapido has been proved incorrect, but the argument was certainly plausible up to that time.

Since the gloomy predictions of the revisionists failed to explain the positive trends of the 1970's, the conventional-liberal school deserves a second glance. The fundamental liberal tenet is that 'blacks have been and are gaining from growth; and that growth is in some, though not all, ways undermining apartheid'. Hence the economic gains enjoyed by Blacks are seen as the natural fruits of South Africa's sustained growth, as is the growing mobility of Blacks from unskilled to semi-skilled and skilled occupations.
Perhaps the logical conclusion from the above is to label the period up to 1970 a 'revisionist' phase and the post-1970 period a 'liberal' phase, but this would be a myopic deduction. The theories are mutually exclusive - the first predicting long-term worsening inequality, the second predicting gradual long-term improvements. The sudden turnaround of the 70's was caused by exogenous forces and shocks to the economy, and could not have been anticipated in terms of the liberal theory. Similarly, the revisionist approach, which had seemed valid before 1970, lost any explanatory power it may have had when Black wages began to accelerate. Since the two hypotheses cannot be satisfactorily combined, a more complex explanation must be sought.

An equally dubious general hypothesis is that advanced by J.P. Nieuwenhuysen, who believes that South Africa was simply caught up in a 'series of synchronised wage explosions', which rippled through the industrialised countries from 1968 to 1974. Nieuwenhuysen begins by discussing the 'wage-push' effects of collective bargaining by trade unions, explaining how a wage increase in one industry can, through 'orbits of coercive comparison' lead to a general wage hike in all industries. This scenario is then transferred to the global economy, with the implicit analogy that industrial unrest and wage increases in some countries in 1968 sparked off a chain reaction of strikes and increases in many other countries, including South Africa.

Here the effects are used to prove the underlying causes. Nieuwenhuysen compares wage increases in several countries and finds evidence that 'The South African economy experienced a "wages explosion" of dimensions similar to those in overseas countries'. He supplies very little evidence of causation, however. Perhaps the Durban strikers of 1973 were following the example of their overseas peers, but apart from this there is no reason to believe that employers were adjusting wages merely to keep in line with international trends. The South African economy has proved extremely resilient to foreign economic pressures in the past, and is sufficiently removed from the EEC to 'import' very little of that economic climate. Nieuwenhuysen reports the highest wage
and strike activity in the early 1970's in European countries and much lower wage rises in the USA, which affects the local economy considerably more than does Europe. The Hypothesis is spurious and ignores the powerful internal forces causing local wage rises during the 1970's.

2.2 Specific Explanations

A combination of socio-political factors provided the impetus for reform in the early 70's, which was translated into Black wage hikes in each sector for specific economic reasons. An overview of the relevant political and economic factors will be followed by a review of wage increases in mining, which led the 'explosion', and then a review of the other industries which followed mining's momentum.

2.2.1 Political and Economic Factors

By 1970 the Afrikaner ethnic mobilisation had achieved spectacular success. Afrikaners were urbanised, wealthy or at least comfortable, secure in political power and in control of strategic services such as defence and the police. English and Afrikaans capital had merged in business and the economic rationale for discrimination was dissolving. On the other hand, pressures on South Africa to reform were growing. Sanctions were threatened, international ostracism increased, and the Black struggle continued. Change was demanded, and for the first time there was room for change.

The Nationalist government, being a 'pragmatic oligarchy' \(^{80}\), responds to threats by adapting its policies within the confines of its ideology and determination to retain its power. According to de St Jorre:
'While the Afrikaners are, like the Rhodesians, undoubtedly a minority group defending their privileged position against an impoverished and unrepresented majority, at the same time, and quite unlike the Rhodesians, they have, through a slow and painful process lasting 300 years, evolved as a distinct ethnic group... This fact adds a measure of determination, ruthlessness, and perhaps, in extremis, flexibility to the Afrikaner psyche.81

This enforced flexibility led to the implementation of many reluctant reforms in the 1970's which were generally designed to maintain internal stability by pacifying Black demands for political and socio-economic upliftment without substantially altering the status quo. Thus the independent homelands programme was adopted to grant political representation to ex-South African Blacks, and border areas industrialisation was encouraged, mainly to create jobs for Homeland Blacks who were unemployable in their own 'countries', and partly to get unwanted Blacks out of the major White urban areas.

It was also expedient for Government to encourage Black wage rises, for several reasons. For example, Black unemployment was rising, leading to increased dissatisfaction and militancy. Higher wages reduced poverty and also promoted the goal of establishing a Black middle class for political stability. Redistribution towards Blacks was further stimulated by improved upward mobility, which was essential because of a serious skills shortage in certain sectors which Whites could no longer fill. Recognising that Blacks had to move into managerial and professional functions if economic growth was to continue, State spending on education and training has risen considerably. Per capita expenditure on Black pupils rose from R16,97 in 1970 to R41,80 in 1976,82 to R63 in 1979,83 a real rise of 55%. Another indicator is the Black pupil-teacher ratio which dropped from 59,6 in 1970 to 45,9 in 1980.84

It is clear from the above that Government stimulation of Black interests in the 1970's was not based purely on altruism, nor at the other extreme simply to avoid revolution. In fact there was a coincidence of Black and White interests which resulted in a unique pursuit of common goals unprecedented in the South Africa tradition.
2.2.2 Mining

'It is noteworthy that the wages of the gold mining industry's mainly unskilled Black employees increased eight-fold during the 1970's. This represents an average income growth of about 21% a year since 1970'. A typical Chamber of Mines self-laudatory public statement, which while indisputably correct, distorts the true statistics for maximum effect. Before proceeding to more important analysis of progress made, some quibbles with the figures:

1. These are cash changes, not adjusted to real values. The Chamber of Mines favours impressive 'average percentage increase' figures and refers only incidentally to the effects of inflation. Another example of this tactic, from the Chamber's 1979 Annual Review:

'......Average minimum wage rates are now almost eight times higher than they were in 1971 - in percentage terms, an increase of some 660 percent. Arguably, few if any workers anywhere else in the world have had their incomes increase so rapidly, and although the pay rises in the past four years have not matched the extraordinary increments granted between 1973 and 1975, they nonetheless have more than compensated for prevailing inflation rates and represented a real improvement for the Black workforce on the gold mines'.

In real terms, however, the achievement is far less impressive, amounting to 216%, or just over twice the very low 1970 wage.

2. Most crucially, these substantial percentage increases were made from an abysmally low absolute base figure for 1970. Recalling that Black mine wages remained static for 60 years, the absolute average level of only R18 per month in 1970 was an ideal launching pad for the 'dramatic percentage increases' of the 1970's. By 1980 Black mining wages were almost in line with other non-agricultural sectors, though still below the mean Black average. However the increase from R18 to R172 (9.56 times), is phenomenal when compared with manufacturing, where Black earnings rose from R52 per month to R224 (4.31 times). Although manufacturing
saw a greater absolute rise than mining and also continues to pay an absolutely higher wage, its larger base income in 1970 makes percentage comparisons with mining wages unfavourable.

3. The large percentage increases in Black wages are often used to infer redistribution towards Blacks, for instance by reference to declining Black-White wage ratios. Francis Wilson calculates a drop in the wage ratio from 20,1 in 1969 to 12,3 in 1974, and concludes that 'a ratio of 12,3:1 is decidedly better from a distribution point of view, than one of over 20:1'.

Wilson also observes, though, that the wage difference 'in terms of hard cash was widening enormously.... In other words a narrowing of earning ratios can go hand in hand, as it has in the mining industry, with a process whereby the rich are becoming yet richer relative to the poor.'

<table>
<thead>
<tr>
<th>YEAR</th>
<th>WHITE AVERAGE EARNINGS (R/YEAR)</th>
<th>BLACK AVERAGE EARNINGS (R/YEAR)</th>
<th>WAGE RATIO</th>
<th>WAGE DIFFERENCE</th>
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<tbody>
<tr>
<td>1969</td>
<td>4006</td>
<td>199</td>
<td>20,1:1</td>
<td>3807</td>
</tr>
<tr>
<td>1971</td>
<td>4633</td>
<td>221</td>
<td>21,0:1</td>
<td>4412</td>
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<td>1973</td>
<td>5881</td>
<td>350</td>
<td>16,8:1</td>
<td>5531</td>
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<tr>
<td>1974</td>
<td>6974</td>
<td>565</td>
<td>12,3:1</td>
<td>6409</td>
</tr>
</tbody>
</table>


By 1980 the wage ratio was down to 6,0:1, but Margaret Nash of the S.A. Council of Churches computed a widening of the monthly cash gap from R516 in 1973 to R29 in 1980. Nash argues that the various methods of manipulating wage figures 'can induce a feeling of optimism in Whites ("the gap is narrowing") while at the same time black frustration is rising ......'. However Nash is guilty of the same manipulation she claims to abhor. In real terms her figures indicate a decline in the wage gap from R516 in 1973 to R428 in 1980. As Wilson tersely remarks: 'Which measure of the gap one chooses to use may well be dictated, most unscientifically, by what one is trying to prove'. 90
Yet Black miners did enjoy their largest wage increases this century during the 1970's, and this surge requires an explanation. The explanation favoured by the mining industry has two components, as advanced in this extract from a Chamber of Mines newsletter:

'It is a matter of fact that before gold was released from the strictures of a fixed official price of $35 an ounce in the late 1960's, the gold mining industry was not able to raise wages to any meaningful degree. Indeed, almost half of South Africa's gold mines were able to keep open only through assistance from the State.

'The motivation to increase the wage rates so significantly was largely a moral one, with the gold mining industry realising full well that it had to move away from what was clearly an unacceptably low wage structure.'

Apart from the obvious retort that morality had not been a criterion in the past, it is true that Black wage increases were facilitated by a rapidly rising gold price. The gold price can therefore be identified as a primary factor in the analysis of rising Black mine wages.

A second influential factor was the industrial unrest and Black militancy which swept the country in 1973 and again in 1976. In 1973 a record 229,000 working days were lost through illegal strikes (see Table 7) and in 1974 and '75 violence in mining compounds led to the confrontations and several deaths. This induced mine officials to scrutinise wage structures as well as living conditions on the mines, and the largest increases in wages and allowances were made between 1973 and 1975.
TABLE 7 : INDUSTRIAL DISPUTES IN SOUTH AFRICA 1970 - 1977

<table>
<thead>
<tr>
<th>YEAR</th>
<th>NO. OF PERSONS</th>
<th>WHITE MAN-DAYS LOST</th>
<th>BLACK MAN-DAYS LOST</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>4168</td>
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<td>4451</td>
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<td>1972</td>
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<td>15335</td>
<td>402</td>
<td>15099</td>
</tr>
</tbody>
</table>

Source: Nieuwenhuysen 1979, p246.

The third important factor is the changing geographical composition of the mines' Black labour force during the '70's. Up to the beginning of the decade Black mine wages had been kept low because of extensive recruiting of migrants from other countries in Southern Africa, notably Mozambique, Lesotho and Malawi. In 1974, President Banda cut back the supply of Malawians after the Francistown air crash which killed some migrant mineworkers, and the mines began to reappraise their reliance on foreign sources of labour. Political instability in Mozambique and Rhodesia encouraged more local recruiting and in fact by 1979 56% of Black miners were drawn from South Africa as opposed to just 22% in 1974. This was only made possible by higher Black wages, which now had to be competitive with local industry in order to attract local workers.

For these reasons, as well as general international pressure, the mining industry led the way in introducing an upward wage spiral for Blacks in 1970's.
2.2.3 Other Sectors

The spectacular increases in Black mining wages were followed by similar increases in manufacturing and government services.

For the period 1970 to 1975, Nattrass claims that 'changes in the manufacturing sector's wage payments to the Black group accounted for 28% of the increase in their total income over the period.' This was followed by mining which contributed 25%, and government, which added 19% to Black wage increments. Nattrass further estimates that manufacturing increases can be attributed to two elements: increased average wage rates, accounting for 61% of total income rises; and increases in employment levels, accounting for the remaining 39%.

The trends in manufacturing wages continued at a slower rate in the recessionary period 1976-78. Over the entire decade Black earnings and employment in the manufacturing sector both rose substantially. However the same reservations mentioned in the mining sector apply to manufacturing figures. Delia Hendrie compiled the following Table of 1970 and 1979 wages in the manufacturing sector:

**TABLE 8: AVERAGE MONTHLY MANUFACTURING WAGES 1970 AND 1979**

<table>
<thead>
<tr>
<th>WAGES (R)</th>
<th>WHITES</th>
<th>COLOURED</th>
<th>ASIANS</th>
<th>BLACKS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970 Wages</td>
<td>300,22</td>
<td>70,90</td>
<td>76,06</td>
<td>51,57</td>
</tr>
<tr>
<td>1979 Wages-Current Prices</td>
<td>805,39</td>
<td>319,78</td>
<td>250,32</td>
<td>187,31</td>
</tr>
<tr>
<td>1979 Wages-Real Terms (1970 R)</td>
<td>330,93</td>
<td>90,31</td>
<td>102,85</td>
<td>76,97</td>
</tr>
</tbody>
</table>

Source: Hendrie 1981, Table D3, p13

'So while many wages during this period more than trebled for African, Asian and Coloured workers and more than doubled for white workers, after allowing for the rise in prices these increases became more modest. In real terms African wages rose by R25,40 (49%) ... and White wages by R30,71 (10%).'
Once again an ambiguous pattern emerges, with the Black-White ratio narrowing from 5.8 to 4.3, while the real absolute earnings gap actually widened slightly. In real terms, the gap between White and African money wages widened from R248.64 in 1970 to R253.96 in 1979. As in the mining sector, two different pictures can be drawn in manufacturing, depending on whether relative or absolute wage statistics are considered.

A more positive conclusion can be made in an examination of the government and public services sector, where a concerted effort to reduce wage and employment discrimination was made in the 1970's. In 1976 the then Minister of Economic Affairs, Mr Chris Heunis, stated that 'it has been an accepted principle of government policy to reduce progressively the wage gap between the various population groups whenever the government itself grants wage and salary increases'. This was reflected in a reduction in both relative and absolute real wages in central government and certain services, such as the South African Railways and Escom, for some years. Nattrass calculates a reversal of the widening Black-White average real wage gap from 1970 to 1977, from R270.2 to R200.3. In 1977 a larger absolute gap was recorded in mining, manufacturing and construction, with narrowing earnings gaps recorded only in central government, the SAR and electricity. The success achieved by Blacks in wages was emulated in employment trends during the decade. Until 1970 the public sector had served as a source of sheltered employment for lowly skilled Afrikaans-speaking Whites, but in the next few years Blacks were welcomed into government services more than ever before. Between 1970 and 1977 the percentage of Whites employed by central government fell from 36% to 28%, an 8% drop which was balanced by a Black rise from 50% to 58%. In absolute terms, White employment rose by 23%, from 98,000 to 121,000, while the number of Blacks jumped by 84%, from 136,000 to 250,000.

Evidence suggests that the large increases in Black public sector wages were partly subsidised by their White counterparts. While Black wage hikes were far above annual inflation rates, White public servants endured falling living standards, since their pay increases often failed to keep up with cost of living increases. In 1977, when the Consumer Price Index rose by 11%,
'White earnings in central government service rose by 6% ..... African earnings rose by 23% .....' \textsuperscript{101}

In all other sectors outside agriculture, Blacks enjoyed large wage gains during the 1970's bearing in mind the reservations expressed earlier. Manufacturing, mining and government were given closer consideration because of their large labour forces and the fact that they generally initiated wage increases, with other sectors such as construction and commerce followed suit to remain wage competitive. Only in agriculture was there a possible decline in real earnings of Blacks, but available statistics are too scanty to allow definitive comment on this sector.

2.3 Summary

To summarise, the likely major factors promoting Black wage increases in the 1970s were the following:

- growing international pressure on South African 'capitalist exploiters' and foreign investors to raise Black wages above poverty levels.

- in mining, the sudden rise in the gold price, which left mining capitalists holding embarrassingly large operating surpluses;

- the internalisation of the mines' labour force to South Africa which necessitated more locally competitive wages after 1974;

- the 'shock' industrial militancy of 1973 and 1976;

- upward occupational mobility of Blacks to higher skill categories associated with higher pay rates.
3. Dissenting Voices

The figures for the 1970's presented have thus far indicated positive trends for Black incomes and the overall distribution of income by race and person in South Africa. There are, however, certain reservations and sources of dissatisfaction that should be expressed, which may obscure the rosy picture painted by government, businessmen and most academics. While not disputing the encouraging signs of the '70's, it is possible that the magnitude of changes may not be as significant as they seem, and it is also contended that the change achieved has not been enough to raise the poorer deciles to a humane standard of living. Several lines of criticism will be opened, and left open in most cases because of inadequate evidence and academic research.

3.1 Inflation

The extent to which 'Inflation has decimated pay rises'\textsuperscript{102} has been mentioned already, but warrants a second glance. Because of Engel's Law, a case can be made against deflating all income groups by a single price index. Engel's law predicts that consumption on basic necessities such as food stays relatively constant as income rises, so that these items become a declining proportion of total spending by the rich, but are a relatively large component of poorer household budgets.

Since 1975, a three-tier Consumer Price Index has been produced in South Africa, for Lower, Middle and Higher income groups. As expected, the Lower category has absorbed higher cost of living increases than the Upper category, mainly because food prices rose faster than other items in the second half of the decade - an average 13.3% against 11.96% for all other items.\textsuperscript{103}

Given the generalisation that Blacks fall into the Lower and Middle income categories, the disproportionate impact of inflation arguably reduced real Black incomes more than the real incomes of Whites, Coloureds and Asians. Deflating all incomes by a constant CPI, as government publications are fond of doing, probably distorts redistribution effects over-optimistically.
3.2 Poverty Datum Lines

Another recent feature of South African income studies (apart from the three-tier CPI), is the calculation of poverty datum lines (PDL) for various urban and rural centres on an annual basis. Many different PDLs have been produced, derived from different definitions of the 'basket of necessity items' required for subsistence.

One of the most stringent PDL's is the University of Port Elizabeth's Household Subsistence Level (HSL). 'The HSL allows for only the barest necessities. It comprises the cost of a rudimentary diet, clothing, fuel and lighting, washing materials, rent and the transport of the breadwinner to and from work. It makes no provision for income tax, transport for other members of the family, medical care, education, let alone savings and dozens of other items most White families could take for granted'.

In spite of the much-vaunted 'Massive leap in income for blacks' notably during the first half of the 70's, the vast majority of Black workers remained below the HSL. In 1975, just after the Black wage 'boom' of '73-'75, average Black wages in agriculture, mining, commerce and government were well below R100 per month, when the Johannesburg HSL was R120. Only in relatively skilled sectors such as insurance, electricity and universities, which employed relatively few Blacks, were wages offered which exceeded the HSL.

In February 1976, the Financial Mail reported under the headline 'Poverty amidst Plenty':

'Despite the wage rises of the past few years and self-satisfied propaganda that Africans in SA are better off than those elsewhere on the continent, appalling poverty is still haunting this land.... Although its monthly income doubled between 1970 and 1975 - up from a paltry R36 to a meagre R72 - the average African household thus has an income equivalent to only 74% of the lowest HSL and only 60% of the HSL for Johannesburg.'
By 1980 a slightly brighter situation had emerged, although many people were obviously still living in abject poverty and misery. If average Black wages for the year are compared to the April HSL in Johannesburg, Cape Town and East London — which were approximately equal at R179 per month — the Finance, Transport and Manufacturing sectors are found to cover basic needs by paying R200 plus. However, Agriculture, Mining, Construction, Commerce and Government and Services (which are depressed by lowly-paid domestic servants), all failed to meet the subsistence requirements of their Black employees. Over 80% of working Blacks are employed in the sectors which pay below HSL wages. Two reservations should be noted here: a household may have more than one wage-earning member; and the wage figures are averages, so that some workers will earn above the HSL Level even in a low-wage sector. Even so, the logical conclusion from this discussion is obvious: a large number of Blacks, possibly up to half the Black population, allowing for unemployment, are living in conditions of absolute poverty on the fringe of an affluent White society. Statistics showing that Black incomes doubled during the 1970's are irrelevant to the millions of people who still cannot enjoy a civilised standard of living in South Africa today.

3.3 Capital Substitution

The 1970's was a decade of rapid capital deepening in almost all sectors outside agriculture. In the light of this paper's emphasis, the claim that capital intensity rose because of rising Black wages may seem biased and simplistic, but the facts do support such an hypothesis to some extent.

From 1970 to 1980 the non-agricultural capital:labour ratio rose from a base of 100 to 143.1. In manufacturing the ratio was higher at 151.1 in 1980, and mining was higher still at 164.3. These rises can best be explained in terms of labour supply and demand, although other factors played a less significant
role. For example, the Economic Development Programme states that capital intensification in mining became essential as mines dug deeper and sifted lower grades of ore when the gold price rose. Similarly, 'the considerably easier liquidity position of the seventies, together with relatively low interest rates, made the replacement of labour with capital in production processes more attractive to entrepreneurs.'

These explanations are valid but inadequate. The 'wage explosion' of 1973-75 forced employers to pay out much larger wage bills to workers whose productivity was not increasing as a result. From 1970-74, per capita wages increased 9% faster than per capita real output. Over the entire decade 1970-80, average nominal earnings of all workers outside agriculture rose by 324%, while average worker productivity rose by 13%.

There may therefore have been a tendency to eliminate routine manual jobs previously held by Blacks in favour of automated and mechanised techniques. At the top end of the labour market, skilled labour - mainly White - was also becoming more expensive, and skills shortages were apparent in certain sectors. This quite possibly 'encouraged employers to replace White workers with machinery leading, in the process, to the redundancy of semi-skilled and unskilled workers - these being mainly African.'

Related to the rising unit cost of labour was the uncertainty associated with labour throughout the decade. The strikes of 1973 and 1976 led employers to regard labour as more risky than before, which raised the cost of labour relative to capital still further. The Wiehahn and Riekert Commissions extended trade union and other rights to Black workers, so capital definitely seemed a more attractive proposition, being relatively cheap, reliable and predictable.

To sum up, capital deepening in the '70s was encouraged by many coincidental factors: rapidly rising labour costs, sporadic worker militancy, skilled labour shortages, as well as low interest rates and high liquidity. One of the prices of higher wages was the substitution of many workers by capital-intensive methods of production.
3.4 Sex Discrimination

A perverse alternative to capital deepening was adopted by many employers facing spiralling wage demands - they substituted females for males. Minimum wages for women in unskilled jobs were generally fixed at 80% of male wages. According to a Tucsa spokesman: 'There is no doubt about it - women are being used as cheap labour in this country. Discrimination against women is the rule: one finds it in masses of industrial agreements.' Another trade unionist observed that 'the employers are not in favour of eliminating the sex differential as they are getting women as cheap labour'.

In only eight years from 1969 to 1977, the number of Black women in employment (excluding agriculture and domestic service) more than doubled, and the female proportion of total Black workers rose from 7.4% to 11.4%. Of course no direct male-female substitution process can be inferred from these figures. The point is simply that increasing numbers of women doing men's work at a lower wage will exert a downward bias on average and total earnings of the Black labour force. If sex discrimination is hidden by under-reporting of female employment levels or overstating of female wages by employers, then available income data will need to be adjusted downwards.

3.5 Unemployment

Following from the above is the implication that Black unemployment may have risen in the 1970's due to capital deepening or female for male substitution. This view is adopted by Keenan, who points out that the absolute number of Blacks in employment declined from 1976, until early 1980, in spite of the economic recovery of '78 and '79. Keenan believes that 'this continuous increase in Black unemployment is due primarily to the increasing capital intensification of most sectors of the economy, and the fact that much of the growth in 1979-81 has come from the utilisation of spare capacity.'
Even when employment was rising, between 1970 and 1976, this increase was not sufficient to absorb the total increment in the workforce. Simkins estimates a total increase in Black unemployment of 640,000 in these six years. Then, 'Given van der Merwe's estimate that the African labour force increased by 1,132,000 over the same period, this means that no less than 57% of the increment have not been provided with employment, an alarming conclusion ....' Simkins calculates an unemployment rate of 11.8% in 1970, rising to 21.1% in 1981. The worsening trend is logical and expected. Simkins explains the increase as the result of two reinforcing factors: 'a rising growth rate of labour supply and a falling employment growth rate'. The latter factor has been partially explained as a result of capital for labour substitution when labour costs began to rise. Simkins adds the problems that rural Blacks face in entering the modern sector labour market as a major barrier, and five years later that issue has not yet been resolved. The recently proposed 'Orderly Movement and Settlement of Black Persons Bill' aims at removing 'excess' Blacks from urban areas and deporting them to their respective homelands, where few job opportunities exist. Sheena Duncan of the Black Sash said that this Bill 'creates walls around the cities, trapping people in the homelands. The situation that faces them in those homelands amounts to genocide'. Certainly the independent homelands policy has the potential to allow South Africa to export its serious unemployment problem, a problem which is presently receiving priority attention from the government. The latest Economic Development Programme concludes pessimistically that 'even under very favourable conditions, it will not be easy to reduce the unemployment rate, not to mention the absolute level of unemployment.' Apart from the humanitarian concern, rising unemployment leads to political destabilisation and unrest. The best suggestion the EDP can offer is the stimulation of labour-intensive industry, coupled with a concerted export drive to increase economic growth. Unfortunately, though, the trend to capital deepening in the 1970's already discussed means that labour intensity is a policy which goes directly against current industrial trends.
It seems that the government has created a dilemma for itself. After taking a calculated risk and ignoring its Afrikaans electorate in favour of Black interests, it finds that Blacks have not formed the stable lower-middle and working class it had intended. Instead, rising wages have led to increased Black demands for the removal of economic and political inequalities, and probably to rising Black unemployment as well. Furthermore, growing support for breakaway Afrikaans factions such as the Conservative Party and the Herstigte Nasionale Party indicates the loss of ethnic identity that the new National Party direction has provoked.

To sum up, it must be remembered that average wage figures refer, obviously to those in employment only. If rising average wages have been offset by rising Black unemployment, then incomes figures distort reality, since the general welfare of society has decreased by some people being worse off than before. No clear trade-off between higher wages and unemployment can be measured, but if such a trade-off has occurred then a case for increasing inequality could be presented.

3.6 Pensions and Overtime

'The generally-recognised "substantial growth" in aggregate black earnings over the past few years was almost exclusively accounted for by increased pension contributions and overtime work and not by any real increase in wages. This is the view of a University of the Witwatersrand social anthropologist, Professor Jeremy Keenan.'122

Despite rising real wages for most Black workers in 1970's it has already been shown that average Black earnings generally remained below the conservative Household Subsistence Level throughout the decade. According to Keenan: 'It is this gap between "earnings" and "PDL" which explains why Black workers are usually desperate to get overtime work. To get nearer to or above this somewhat arbitrary and minimum subsistence level, workers are forced to work longer hours.'123

Employers often take advantage of the plight of their workers by...
laying off Blacks and using the remainder more intensively, which raises productivity and average wages, while the total wage bill may actually fall. From 1975 to 1980, the amount of overtime worked in manufacturing as a percentage of workers' earnings from overtime rose from 13% in 1970 to over 16% in 1980, peaking at 18% in October that year.124

The importance of overtime is reflected in a number of deductions from these figures. Unemployment may have been affected, real wage rates (per hour) probably rose less than is commonly believed and hence real Black income per capita possibly declined from 1976, statistics to the contrary notwithstanding.

The Table overleaf is an attempt to quantify real Black income changes per capita over the decade of the 1970's. The technique adopted obviously parallels Keenan's - although his method is not explained, the results of each study are remarkably consistent. If the statistics are valid, the hypothesis of declining Black per capita income is proved for the period 1976-79, when a drop of 5.5% is observed in spite of a 32% rise in nominal earnings per capita. By 1980 real incomes were only marginally (1.1%) above the 1976 average.

A similar argument can be made for the distortion of real incomes by pension contributions. Since 1976 the number of employed Blacks in pension schemes has grown from about 5% to at least 30% in 1980. Keenan calculates a contribution of 4% of real Black earnings to pension schemes in 1980. He argues that this is deferred income, which should be deducted from all current income measurements, because pension payments do not increase present consumption and welfare.

Other factors also serve to lower Black wages as recorded by firms and the Department of Statistics. Keenan gives several examples of unfair employer practises, such as 'fining' workers for their mistakes; recording higher wages than are paid in the case of verbal contracts; excessive deductions for transport, medical aid, accommodation, and miscellaneous items; and 'The promotion of workers into more skilled job categories while paying them the rate for lower grades'.127
<table>
<thead>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Nominal Annual Earnings (R)</td>
<td>480</td>
<td>516</td>
<td>576</td>
<td>684</td>
<td>864</td>
<td>1092</td>
<td>1284</td>
<td>1452</td>
<td>1644</td>
<td>1872</td>
<td>2268</td>
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<tr>
<td>Consumer Price Index</td>
<td>100</td>
<td>106.4</td>
<td>113.3</td>
<td>124.1</td>
<td>138.5</td>
<td>157.2</td>
<td>174.7</td>
<td>193.9</td>
<td>215.6</td>
<td>244.0</td>
<td>277.7</td>
</tr>
<tr>
<td>Real Earnings of Employed in 1970 Prices</td>
<td>480</td>
<td>485</td>
<td>508</td>
<td>551</td>
<td>624</td>
<td>695</td>
<td>735</td>
<td>749</td>
<td>763</td>
<td>767</td>
<td>817</td>
</tr>
<tr>
<td>Percentage change in Real Earnings of Employed</td>
<td>+1.0</td>
<td>+4.7</td>
<td>+8.5</td>
<td>+13.2</td>
<td>+11.4</td>
<td>+5.8</td>
<td>+1.9</td>
<td>+1.9</td>
<td>+0.5</td>
<td>+6.5</td>
<td></td>
</tr>
<tr>
<td>Nominal Income per capita</td>
<td>63.77</td>
<td>70.81</td>
<td>77.75</td>
<td>98.56</td>
<td>126.93</td>
<td>160.70</td>
<td>187.31</td>
<td>203.35</td>
<td>219.56</td>
<td>247.31</td>
<td>300.98</td>
</tr>
<tr>
<td>Keenan's Nominal Income per capita</td>
<td>-</td>
<td>-</td>
<td>77.07</td>
<td>96.31</td>
<td>122.83</td>
<td>156.22</td>
<td>181.62</td>
<td>200.10</td>
<td>216.05</td>
<td>243.44</td>
<td>296.34</td>
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<tr>
<td>Percentage change in Nominal income per capita</td>
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<td>+9.8</td>
<td>+26.8</td>
<td>+28.8</td>
<td>+26.6</td>
<td>+16.6</td>
<td>+8.6</td>
<td>+8.0</td>
<td>+12.6</td>
<td>+21.7</td>
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<tr>
<td>Real Income per capita in 1970 prices</td>
<td>53.77</td>
<td>66.55</td>
<td>68.62</td>
<td>79.42</td>
<td>91.65</td>
<td>102.23</td>
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<tr>
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<td>+15.7</td>
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<td>+11.5</td>
<td>+4.9</td>
<td>-2.2</td>
<td>-2.9</td>
<td>-0.5</td>
<td>+6.9</td>
<td></td>
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<tr>
<td>Keenan's percentage change in real income per capita</td>
<td>-</td>
<td>-</td>
<td>+12.9</td>
<td>+13.4</td>
<td>+11.8</td>
<td>+6.2</td>
<td>-0.5</td>
<td>-3.3</td>
<td>+0.3</td>
<td>+6.4</td>
<td></td>
</tr>
</tbody>
</table>

Source: See Appendix 4
Keenan concludes that the 1970's may not have been as unambiguously beneficial to Black welfare as published statistics imply. Although he concedes that real incomes of Blacks rose from 1970-75, he believes that because of the growth of pension contributions, overtime work and other factors the net incomes of the majority of the black population probably declined in real terms between 1977 and 1982. The recent boom did not improve Black welfare; on the contrary, the owners of capital gained at the expense of labour, and profitability rose, while real wages declined.

Support for the latter contention has been tentatively provided by Table 11, specifically for the period 1976 to 1979. The argument that capital gained at the expense of labour during these years is easily checked by reference to the functional distribution of income tables in the SA Reserve Bank Quarterly Bulletins. It is found that the percentage of net domestic product paid out to employees did indeed fall, from 67.9% in 1976 to 56.5% in 1980. While employee remuneration rose by 5% from '76 to '80, the national net operating surplus jumped 72% in real terms. The boom seems to have favoured capitalists rather than workers.

3.7 Upward Mobility

The South African economy of the 1980's is reaping the harvest of decades of labour repression and racial discrimination by paradoxically experiencing an unemployment problem and a skilled manpower shortage at the same time. On the unemployment side a Lewis-type surplus pool of unskilled labour has been maintained by 'decades of apartheid in which blacks were stripped of political and economic liberties by Whites, restricted in where they could live, denied equal access to training and education, prevented from holding higher paying jobs reserved for Whites and denied property and voting rights'.

This led the Riekert Commission to observe in 1978 that: 'Projections of the supply of and demand for manpower show that from a purely quantitative point of view, there will be an adequate supply of labour to meet the expected demand and that there will in
fact be a considerable surplus of Black Labour.' However, from a qualitative point of view, 'there are persistent shortages of labour in certain professional, technical and artisan fields', resulting in a concomitant skilled-shortage and unskilled-surplus situation.

Skilled labour shortages were observed early in the 1970's, and were probably a major reason why relatively liberal socio-economic and political reforms were made during the decade. Partly to encourage upward occupational mobility of Black workers, 'job reservation has been largely abolished, blacks are freer to move where the jobs are... Spending on Black education and training is soaring. Wages are rising and trade unions are being allowed...' The success of this opening up of the labour market can be gauged from comparative rates of growth of White and African workers in various job categories. In professional and technical fields, Whites increased by 7.7% annually between 1969 and 1975, while the number of Africans grew by 15.4%. In managerial and administrative positions, White employment rose by 9.8% and African employment by 44.7% per annum. Preliminary results of the 1980 census confirm the upward trend of Africans. Since the 1970 census, the number of White doctors was found to have risen by 47% and Black doctors by 125%. White administrative workers were up by 56% and Blacks by 104%

Like the figures on Black incomes, these statistics are less impressive when absolute numbers are compared, particularly since Blacks started the decade with a very low total in most skilled labour categories. However, a definite trend is apparent, and this presents a problem for the analysis of real income changes in the 1970s. The problem is simply this: given that Black wages and upward mobility were rising simultaneously, what proportion of real income improvements should be ascribed to each factor? The distinction is important, but is difficult to quantify.
The Theron Commission had the identical difficulty in its analysis of Coloured income changes during the 1970's: 'Die betekenisvolle styging in arbeidsvergoeding kan ....aan veral twee faktore toegeskryf word: Eerstens aan loonsverhogings wat op 'n vernouing van die loongaping neerkom -d.w.s. die Kleurlings se lone het teen 'n vinniger tempo gestyg as die van die Blankes. Tweedens kan dit aan 'n opwaartse mobiliteit van Kleurlingarbeid toegeskryf word, d.w.s. Kleurling arbeiders het toegetree tot werksgeleenthede wat voorheen deur Blankes beset is en die voordeel van die groter lone wat aan die werksgeleenthede verbonde is, bekom. Ongelukkig is daar nie statistiese gegewens beskikbaar om te bepaal watter een van hierdie twee faktore die grootste bydrae gelewer het nie.'

The evidence of Black advancement in the job hierarchy suggests two possibly detrimental hidden effects. Firstly, if the entire Black labour force can be visualised as shifting one step up the job ladder, then average wages will obviously rise. However, the increase is due to vertical changes in the distribution of labour, and not necessarily to wage rises at each horizontal level or category of occupation. In fact, real wages may even decline in each category, but the higher incomes of the few in top jobs disguise this effect. So upward mobility benefits some workers but may leave the majority worse off, and the Black wages rises of the 1970's could conceivably be hiding increasing intra-racial inequality and declining average welfare.

Secondly, upward mobility may have exacerbated Black unemployment levels by raising the total wage bill and encouraging mechanisation which makes some unskilled labourers redundant. In this case again a privileged few are gaining at the expense of their fellows.

A seemingly positive trend of rising Black wages and upward occupational mobility could be causing greater poverty and hardship than it is alleviating. However, this particular possibility remains an untested hypothesis, and it should perhaps be assumed that upward mobility is a sign of rising Black incomes and welfare instead.
4. Conclusion

Any subjective opinion about Black incomes in the 1970's must at best be ambivalent. On the one hand, there is irrefutable evidence that real Black wages rose enormously in percentage terms over the decade. Upward mobility was also enhanced by relaxed job reservation and a growing need for skilled Black Labour. In general, it may be concluded that Blacks enjoyed more favourable employment and income opportunities than at any time in South African capitalist sector history.

On the negative side, it must be realised that these positive trends do not go far enough in alleviating poverty and ensuring a decent standard of living for the majority of Blacks. Even more serious is the possibility that rising wages may have been offset by rising unemployment and hardship among those excluded from education and employment opportunities, particularly in the independent homelands.

It seems valid to conclude, therefore, that the 1970's produced not one, but two distinct trends in Black incomes and welfare. The positive 'official' argument that Blacks gained substantially from wage rises and upward mobility applies only to those fortunate enough to be absorbed into modern sector employment. For the rest—perhaps the majority—of Blacks who remain trapped in low-employment rural areas, facing malnutrition and disease, little has changed—except that they can now vote for someone who can do nothing to improve their situation.

While acknowledging the progress made by government and private sector employers, one must also realise that this progress has favoured the Black working class, probably at the expense of the 'Black masses'. Due to inadequate and often distorted data, the extent of intra-racial inequality (between employed and unemployed, or between urban and rural Blacks) is difficult to measure. If these gaps have actually been widening in either relative or absolute terms, then the improvements already achieved are meaningless for the majority of Blacks. The halting positive steps of the '70's will only be translated into effective general upliftment in the '80's when living standards improvements
are communicated to all the peoples of South Africa and its Black-national states.
CONCLUSION

1. Introduction

This paper set out to examine the trends in South Africa's racial and personal or size distributions of income during the twentieth century. In fact the former has been discussed almost exclusively while the latter has been virtually ignored, for two reasons. Firstly, studies of South African income distribution before 1970 were devoted almost entirely to racial inequalities, and very little information on personal distribution is available even now. Secondly, there is some merit in the qualified use of racial income shares as a proxy for size distribution, although any generalisation made from such an imperfect surrogate must be treated with caution.

Even after the relative rise in Black earnings during the early 1970's, for example, Simkins noted in a comparison of racial and size distributions that: 'While 85% of the bottom 60% of income earners were African, only 1% of the top 20% were African in 1976. 86% of the top 20% in 1976 were White'.

With the continuing erosion of employment barriers and wage discrimination policies, it is clear that this radical categorisation (White=rich, Black=poor) will not persist indefinitely. Although the terms racial and size distribution have been virtually synonymous in the past, the concept of a racial distribution will probably become redundant in the near future, and attention will gradually be focussed on the size distribution of income instead.

In the meantime, published material on South African income distribution consists mainly of two types: statistical data on racial income shares, and theoretical attempts to explain the data. Curiously enough, this material divides itself neatly into two piles, which correspond roughly to the two major sections of this paper - pre-1970 and post-1970.
Up to 1970 statistical evidence pointed overwhelmingly towards high inequality in the sense that the White minority earned by far the most of national income. The consensus of opinion on this score rendered further comment superfluous, so the 1900 - 1970 discussion in this paper was directed at the diversity of academic debates on the causes of this unusually skewed distribution.

Since 1970, theorists are seemingly bewildered by the changes made, and the emphasis has shifted to a meticulous scrutiny of official data. This interest in figures is by no means a dry, fruitless clerical pursuit; on the contrary, the move from debate to statistics may be regarded as a shift from theory to reality, with greater attention being given at last to Black poverty and unemployment in numerical rather than academic terms.

In effect, two conclusions must be drawn. First the various theories will be assessed and a general framework for future analysis will be suggested. Secondly, the statistical evidence will be summed up and an opinion on real changes in income shares will be expressed.

2. Theories

The arguments in favour of an eclectic theoretical explanation of South Africa's distorted income distribution have already been advanced. It is also important to put each theory into its relevant historical perspective.

To begin with, the Classical Lewis model is dismissed as an inadequate explanation of early South African capitalist development. If Bundy's assertion that the imposition of capitalism was an abnormal disruption of a relatively integrated economy is accepted, then a Marxist analysis seems more appropriate. The 'unlimited labour' effect did not arise out of a voluntary urban migration, as postulated in the Lewis scenario. Rather it was induced by coercive policies and legislation, which served to crush the primitive accumulation achieved by African peasants who were beginning to respond to market demands and competing successfully with White farmers.
Once the African peasantry had been reduced to little more than a pool of cheap labour, the typical Kuznets effect was observed. Socio-economic accessibility barriers were created, as in most LDC economies, and in South Africa these barriers tended to form along ethnic lines. This coincides with the Kuznets contention that high inequality is usual and perhaps even necessary for initial economic growth.

After unification, however, South Africa's income distribution started to diverge from the Kuznets U-curve prediction. Instead of a gradual reversal of the initial inequality of the 1880's, inequality simply levelled out and remained constant, or possibly rose even further without being checked until the 1970's. If theory is vague and unsatisfactory about this unexpected trend, that is perhaps because economic theory cannot incorporate the political and cultural forces which acted against the natural trend towards income equalisation.

The most crucial factor about South African politics in this respect is obvious but often underrated: that the State has always acted on behalf of a minority group (Whites in general, or just Afrikaners) against the interest of other ethnic groups. Government policies have always been in favour of its electorate, and as long as Blacks remain politically disenfranchised, they will be forced to endure economic and social inferiority as well. The elaborate labour market structures which evolved to exclude Blacks, especially Africans, from the fruits of rapid industrial growth should be seen against the backdrop.

On the other hand, while the struggle has essentially been one of racial domination, a class analysis cannot be excluded. The Marxist capital-labour conflict must simply be extended in South Africa to allow for three participants: White capitalists, White labour and Black labour. It is too simplistic to argue that White capital and White labour have always been united against the demands of Black workers, although the extent to which Whites have secured preferential treatment in the labour market might suggest this. White capital and White labour have clashed in the
past - for example in the Rand Revolt of 1922 - but the State has typically intervened on behalf of White Labour, at the expense of Black Labour rather than White capital. Furthermore, one of the implicit conclusions of this paper is that White capital and Black labour joined in an unprecedented alliance during the 1970's, transferring the emphasis of the class struggle from White capital against Black labour to White capital against White labour.

South Africa's labour market development has been so complex however, that there is still room in this framework for elements of different economic theories. Knight and McGrath favour a Neo-Classical factor payment approach when they acknowledge that up to half of racial income differences can be explained by differences in productivity. The Neo-Classicalists argue that labour should be paid according to its productivity; but this leaves two vital questions unanswered: how to account for the other half of racial income gaps, and why Blacks remain clustered in low-productivity low-income jobs.

The first anomaly is explained by racial wage discrimination practices, and also by an artificial 'scarcity rent' that Whites enjoy by monopolising professional and managerial positions. Now the Neo-Classical framework remains delicately in place, provided its rigorous marginal assumptions are relaxed to allow relevant features of Becker's discrimination theory to be included.

The second problem - that of explaining Black clusters in low-productivity employment - cannot be solved within even a flexible Neo-Classical approach. The explanation is to be found in recent structuralist theories of labour markets, which focus on discrimination in employment rather than on wages and salaries. Three of these models can be applied to the South African situation: job competition, internal labour markets and crowding. All three imply that Whites have managed to manipulate employers and the government in order to secure the most preferred jobs for themselves, while simultaneously forcing Blacks into menial, low-paid work which offer little prospect of advancement.
It appears from the preceding discussion that many schools of thought could be adapted to explain specific features of South African labour markets and income distribution, although not one is able to provide a total solution in itself. An eclectic solution including NeoClassical, Marxist, discrimination and structuralist factors is more plausible and appealing.

As for the future, although the real effects of income changes in the 1970's are unclear, a definite rise in Black labour mobility was observed, and it appeared that racial employment constraints were being removed. As some of these distortions gradually disappear (though others will probably remain), racial distinctions will become less pronounced, and a purer Neo-Classical analysis may become relevant. Alternatively, a purer Marxist class struggle may develop as Black and non-racial trade unions gain in strength and the White-Black bifurcation of labour continues to dissolve. At the same time the racial distribution of income will become redundant and the size distribution of income will finally be a meaningful concept in its own right, unbiased by South Africa's presently perverted labour markets.

3. Statistics

There are two extreme views on the data about racial incomes released since 1917. The positive, optimistic attitude is that Blacks have maintained a constant, if rather small, share of the national income throughout the century, and that they were finally rewarded for their hardship and toil by the phenomenal wage increases of the 1970's. In this rosy picture South African Blacks are believed to be comfortably off, enjoying the highest standards of living in Africa, with the prospect of greater prosperity yet to come.

A more cynical argument is that a constant Black share of total income while their share of total population was rising indicates falling per capita income shares. The wage rises of the 1970's are also open to sceptical comment.
For one thing, the motivation behind any improvements for Blacks was, as always, White self-interest. It was politically and economically expedient to appear to show concern for Black welfare, since internal and foreign pressures for reform were growing, and serious skills shortages were resulting from the dependence on skilled Whites.

Another point is that the figures themselves are inaccurate or illusory. Large percentage increases were emphasised to disguise the meagre base wages they were built on, and even after these increases wages were often below the most stringent poverty datum lines.

Some evidence indicates rising Black unemployment during the decade, as rising Black wages encouraged capital substitution and greater female employment, or more intensive use of fewer Blacks doing overtime work.

Income figures are further biased by the impossibility of determining whether rises are due to wage hikes or upward mobility, by increasing payments to pension schemes, which are a form of deferred income, and by the exclusion of homeland populations from official figures as these homelands attained independence. There are also indications that most real increases were made between 1973 and 1975, and that since this three-year rise real Black incomes have started to fall again. If this is so then the achievements of the 1970's are not the start of a positive trend, but merely a once-off improvement in Black earnings which might not be repeated for several years.

A compromise position can be adopted between these two extremes which acknowledges both the positive and negative features of South Africa's racial income distribution, past and present. Perhaps Blacks did endure a sustained period of hardship and inequality during which they were transformed from self-sufficient farming people to unwilling dependents on the scraps of the capitalist sector. Perhaps a case might even be made for increasing absolute, not only relative, poverty for these unfortunate people.
Then came the 1970's, with its two diametrically opposing trends in Black income distribution: On the one hand, rising incomes for the majority of Black workers; and on the other, the disowning of the South African Black unemployment problem by the realisation of the independent homelands policy. The net effect of these two policies can be visualised as a hump in the steadily dropping line of real Black income shares. For those lucky enough to remain South African and to be employed outside agriculture, a rise in living standards unprecedented in South African history is presently occurring. For the rest, the dreary cycle of drought, disease and malnutrition continues unabated, with occasional attempts to find work by squatting around the White cities being thwarted by 'relocation' programmes. Just how large this unrecorded population is remains shrouded in mystery, but it remains a major problem in an otherwise wealthy South Africa. Until mass poverty and unemployment is alleviated, no study of income distribution that considers income earners only can present an objective picture. All we know for certain is that Black wages rose faster during the 1970's than ever before, and that is at least an encouraging sign.
GENERATING INCOME DISTRIBUTION STATISTICS FOR 1980

The procedure adopted follows that conceived by Charles Simkins in 'The Distribution of Personal Income among Income Recipients in South Africa, 1970 and 1976'. The object of the study is to generate racial and size distribution statistics for 1980, as well as a Gini coefficient and Theil decomposition of inequality measures.

Detailed calculations and statistical tables can be found in the Appendix to the original version of this paper at the University of Cape Town. Only a brief synopsis of the methodology and data sources used will be given here.

1. Racial Distribution of Income

The first stage of the exercise is to determine total personal income for 1980. This income concept has two components: remuneration of employees, and property and transfer income. The relevant figures are found in the National Accounts tables in South African Statistics 1980, p21.9 and p21.17.

The second stage of the procedure is to break down this total income into its racial and sectoral components. This requires racial employment and wage figures for each economic sector. Employment figures are obtained from South African Statistics 1980 and from the preliminary results of the 1980 Population Census, derived from a 5% sample.

For non-agricultural sectors, the method of calculating average racial incomes is as follows. Mean income in each sector is obtained by dividing total employment into total remuneration for each group. These figures are found in the Quarterly Bulletin of Statistics, September 1981, p2.4 to p2.22. The total sectoral remuneration figures for 1979 (in SA Statistics 1980, p21.9) are updated to 1980 by extrapolation. Mean incomes are then multiplied by a factor to bring them up to the National Accounts totals. In the case of agriculture, few statistics have been released since 1976, so 1976 figures are simply extrapolated to generate estimates for 1980.
The results of this figurework can be summarised in a 10 x 4 Table listing employment and mean income data for each of the 4 races in each of the 10 major sectors. From this information racial shares in personal income are calculated for 1980 (Table 3, row 14)

2. Size Distribution of Income

The procedure for determining the size distribution of income is more complicated. 'The fundamental strategy is to build up an overall distribution of income from a series of uniracial unisectoral distributions.' (Simkins, p2) A distribution of income earners needs to be built up around each of the 40 mean incomes tabulated in the employment-income matrix described above. These will be aggregated across sectors to generate 4 racial distributions, which will then be further aggregated into one overall distribution.

Density functions for White, Coloured and Asian personal income distributions by sector have been calculated by Charles Simkins from the Personal Income Report of the 1970 Population Census, and these functions were applied to the 1980 data. Due to inadequate statistics, Black income earners are simply assumed to be lognormally distributed around the mean income in each sector. Variances used were calculated by Simkins from an extensive Bureau of Market Research survey on Black income and expenditure patterns in 1975.

Racial distributions are then obtained by amalgamating the distributions for each race group into a single column of figures including all income recipients from the various sectors. By means of linear interpolation, the four distributions are aggregated into one overall distribution with consistent class boundaries. These figures are reduced to an aggregate density function by calculating the proportion of income and recipients falling into each class.
Now these proportions correspond to points on the Lorenz curve, and once this has been plotted the Gini coefficient can be derived. The 1980 Lorenz curve is much flatter than Simkins' Lorenz curves for 1970 and 1976, and the Gini coefficient has also dropped substantially over the decade:

1970: 0.71 (Simkins, p9)
1976: 0.65 (Simkins, p9)
1980: 0.57

3. Decomposition of Inequality

The Gini coefficient is a single measurement of overall inequality which does little to explain the sources of shifts in the Lorenz curve. However, some inequality measures have been designed to analyze the components of inequality, for instance within and between various groups in the population. One of the most popular 'decomposition of inequality' statistics is the Theil coefficient, and this was used to determine intra- and inter-racial contributions to total inequality.

Comparing the calculated Theil coefficients for 1980 to those of Simkins yields several interesting insights. In 1976 Simkins observed that the dominance of 'between-sector' over 'within-sector' inequality in the White, Coloured and Asian groups pointed to rough inter-sectoral equilibrium. The reversal of this position in the case of Blacks 'suggests lack of equilibrium between sectors in the African labour market; for readers familiar with administrative "labour canalisation" practices in respect of Africans this will come as no surprise'. (Simkins, p12) Simkins produced within- and between-sector Theil contributions for Blacks of 0.186 and 0.249 in 1970, and 0.181 and 0.192 in 1976. In 1980 this effect has been reversed (0.188 and 0.182), reflecting the greater mobility and employment opportunities available to Blacks in recent years.

Total racial inequality has risen significantly in the White group - 0.370 to 0.374 to 0.385 - but stayed almost constant in the other three groups since 1976. The White rise has pushed up the total 'within-race' inequality component, but the substantial redistribution of income from White to Black ensured a significant decline in the overall Theil coefficient, from 1.00 in 1970 to 0.829.
in 1976 to 0.753 in 1980. The 10% income transfer from White to Non-White groups in the 1970's had by far the most important and positive effect on lowering the Theil coefficient by 25% over the decade.

4. Generating Table 9

To determine real Black earnings per capita a two-stage procedure was followed. First the Department of Statistics incomes and employment figures were consulted to generate real earnings of employed Blacks. Then these results were deflated by estimates of the total Black population to infer real earnings per capita.

Row 1: Nominal annual earnings of employed Blacks were obtained from Column 32, p7.6 of S.A. Statistics 1980. 1980 earnings were provided on p2.3 of the September 1981 Quarterly Bulletin.

Row 2: The conventional Consumer Price Index for South Africa was found on p4.1 of the Bureau of Economic Research publication 'Trends', of June 1982.

Row 5: Total Black income from employment is given in Column 27, p 7.6 of S.A. Statistics 1980. Total Black population for South Africa, the homelands and the self-governing 'national states' is provided in BENSO's Statistical Survey of Black Development 1980, for 1970 and 1980 only. On p8 and p9 the total Black population is given as 15,918,000 in 1970 and 20,220,153 in 1980. On p14 BENSO estimates annual increases in the economically active Black population from 1970-1980, as follows:

- 1970 - 73 : 179,700
- 1974 - 76 : 197,500
- 1977 - 80 : 220,000
It was assumed that the total Black population grew at the same annual rate as the economically active population. Once population figures had been extrapolated for 1971-79, they were divided into total Black income to generate nominal Black income per capita.

Row 6&10: Keenan's results are tabulated on p.14 of his 1982 paper, and are reprinted here for purposes of comparison.

Row 8: Real Income per capita is found by division by the CPI (Row 2) as before
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42. Knight and McGrath, 1977, p246.
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65. Chenery, Hollis; Ahluwalia, Montek; Bell; Duloy and Jolly, 1974: Redistribution with Growth, World Bank, p235.


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75. Ibid., p12


79. Ibid., p243


87. Wilson, 1975, p533.
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119. (As 117) p141.


121. Economic Development Programme, 1979, p34.


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126. Evening Post, 1982: Real black income may have declined, Port Elizabeth, 8 June 1982.
127. Keenan, 198, pp12-13


133. Argus, 1982: Average age in SA increasing, Cape Town, 1 July 1982.


To anybody interested in what is happening in Southern Africa at the present time, it is clear that an understanding of changes taking place in the field of labour is crucial. The whole debate about the political implications of economic growth, for example, revolves very largely around different assessments of the role of black workers in the mines and factories of the Republic. Many of the questions with which people involved in Southern Africa are now concerned relate, in one way or another, to the field generally set aside for labour economists to cultivate. The impact of trade unions; the causes of unemployment; the economic consequences of different educational policies; the determination of wage structures; the economics of discrimination; all these and more are matters with which labour economists have been wrestling over the years in various parts of the world.

At the same time there are many who would argue that these issues are far wider than can be contained within the narrow context of 'labour economics'. These issues, it is pointed out, go to the heart of the whole nature of development. In recent studies, commissioned by the International Labour Office, of development problems in Columbia, Sri Lanka, and Kenya, for example, leading scholars have identified the three crucial issues facing these countries as being poverty, unemployment, and the distribution of income. Thus the distinction between labour and development studies is becoming more blurred as economists come face to face with problems of real life in the Third World.

It is here too that an increasing number of people are coming to see that study of the political economy of South Africa must not be done on the assumption that the problems there are absolutely different from those facing other parts of the world. Indeed it can be argued that far from being an isolated, special case, South Africa is a model of the whole world containing within it all the divisions and tensions (black/white; rich/poor; migrant/nonmigrant; capitalist west/third-world; etc.) that may be seen in global perspective. Be that as it may, the fact remains that the economy of Southern Africa (for the political and economic boundaries are singularly out of line with each other) is one of the most fascinating in the world. It is one on which far more research work needs to be done, and about which further understanding of the forces at work is urgently required. It is in order to attempt to contribute to such an understanding that Saldru is issuing these working papers.